CAPITAL ADEQUACY AND RISK MANAGEMENT REPORT

PILLAR 3

SEK

CONTENTS

1. 2010 IN BRIEF

During 2010, there were no significant changes to SEK's objectives, principles, risk management methods or methods of measuring risk. Furthermore, neither the types of risk exposures nor the origins of these exposures, have changed materially.

On December 31, 2010, SEK's risk-weighted assets (RWA), as calculated in accordance with Basel II (without taking into consideration the transitional rules applicable during the current period of transition from Basel I to Basel II) were equal to Skr 64.5 billion, which implies a Tier-1 ratio of 22.4 percent and a total capital adequacy ratio of 22.4 percent. Adjusted in accordance with the Swedish Financial Supervisory Authority's transitional rules – which have been extended through the end of 2011 – SEK's reported risk-weighted assets were Skr 64.5 billion, also implying a Tier-1 ratio of 22.4 percent and a total capital adequacy ratio of 22.4 percent.

SEK's capital adequacy assessment process is deemed to be in line with the Basel II framework's underlying principles and concepts. In summary, SEK's assessment is that SEK's expected available capital amply covers the expected risks in the different scenarios that SEK envisages, in a way that supports SEK's high creditworthiness.

It should be noted that the consequences of the financial crisis – in particular, in the form of new regulatory developments – will probably have an impact on SEK in the same way as on other financial institutions. New rules are expected to lead to increased capital requirements and therefore lower profitability. SEK's assessment, however, is that SEK is well prepared for the forthcoming regulatory changes.

2. INTRODUCTION

2.1 BACKGROUND

The Basel rules (Basel II) came into force in Sweden and the rest of the EU as of January 1, 2007. The main structure of the Basel II system consists of three "Pillars", as follows:

Pillar 1 deals with minimum capital requirements for credit and market risks as well as for operational risks, based on explicit calculation rules. Pillar 1 allows institutions to choose between various alternatives based on their level of development:

- With regard to credit risks, the standardized approach is the simplest approach. It is similar to Basel I, but contains more risk weights, all of which are established by national authorities. Institutions can expand upon the supervisory authorities' risk weights by using risk assessments from recognized credit rating agencies such as Moody's, Standard & Poor's and Fitch. The next level of sophistication, regarding credit risk, under Pillar 1, is called the Foundation IRB approach (internal ratings-based approach). Under the Foundation IRB approach, the risk weights, and therefore the capital requirements, are partially based on institutions' internal risk classifications. There is also an advanced form of the IRB approach, in which the capital requirement is determined to an even greater extent on the basis of an institution's own calculations. SEK uses the Foundation IRB approach to calculate its capital requirement for credit risk (see section 6.9).
- In regard to market risks, institutions are allowed to choose between a simple or advanced method. There has been no substantial change in the handling of market risks in Basel II as compared with the old Basel I accord. SEK has only limited market risks under Pillar 1 (see section 8).
- For operational risks there are three alternatives: the basic indicator approach, the standardized approach and the internal measurement approach. For operational risk, SEK has chosen the basic indicator approach (see section 7).

Under Pillar 1, an institution must at all times have a capital base that at least corresponds to the sum of the capital requirements for credit risks, market risks and operational risks. This is calculated in accordance with the Capital Adequacy Act (2006:1371), regarding capital adequacy and large exposures as well as the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2007:1) regarding capital adequacy and large exposures.

Pillar 2 concerns national supervisory authorities' evaluation of risks and describes institutions' risk and capital management and also establishes the supervisory authorities' functions and powers. Further, under Pillar 2 each financial institution must identify risks and assess risk management from a wider perspective, to supplement the capital requirements calculated within the scope of Pillar 1. This Internal Capital Adequacy Assessment Process (ICAAP) also takes into account qualitative risks which cannot be directly measured in the form of exposures that can be covered by capital.

Pillar 3 concerns, and places demands on, openness and transparency and how institutions, in a broad sense, should report their operations to the market and the public. The disclosure of capital and risk management must follow the requirements of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2007:5) regarding public disclosure of information concerning capital adequacy and risk management.

2.2 SEK GROUP

The information in this risk report refers to the SEK financial group. The SEK financial group's parent company, AB Svensk Exportkredit (SEK), has its registered office in Stockholm, Sweden, with the address Klarabergsviadukten 61–63, P.O. Box 194, 101 23 Stockholm, Sweden. The group included, as of December 31, 2010, AB Svensk Exportkredit and its wholly-owned subsidiaries AB Sektionen, AB SEK Securities, SEK Financial Advisors AB, SEK Financial Services AB, SEK Customer Finance AB, SEK Exportlånet AB, Venantius AB and the latter's wholly-owned subsidiary VF Finans AB (the Subsidiaries). Together, these are referred to as the "Group".

AB Sektionen main property, plant and equipment is its building, which served as SEK's headquarters up until December 17, 2010, when SEK moved its headquarters to new, rented premises. AB Sektionen does not presently operate any business other than renting its (now unoccupied) building to SEK. Since AB Sektionen (including the building) is for sale, the building has been reclassified as a non-current asset held for sale. AB SEK Securities is a securities company under the supervision of the Swedish Financial Supervisory Authority. SEK Financial Advisors AB, SEK Customer Finance AB and Venantius AB are no longer engaged in any active business. SEK Financial Services AB and SEK Exportlånet AB are also inactive companies.

The subsidiaries are controlled by the parent company, AB Svensk Exportkredit. The parent company is able to exercise control over the subsidiaries' financial and operational policies for the purpose of obtaining economic benefits. The consolidated accounts have been formulated in accordance with the purchase method. The accounts of a subsidiary are included in the consolidated accounts from the time of acquisition, when a controlling influence exists, through to the point in time when the parent company's control ceases. The accounting principles applied in preparing subsidiaries accounts have, where needed, been adapted for the purpose of establishing unified reporting principles within the Group. Internal group transactions as well as receivables and liabilities, including unrealized revenues and expenses that have arisen in internal group transactions, are eliminated in the preparation of the consolidated accounts. There is no difference regarding the consolidation principles between consolidated accounting and the group-based accounting.

TABLE 2.1: SPECIFICATION OF SUBSIDIARIES INCLUDED IN THE FINANCIAL GROUP AS OF DECEMBER 31, 2010

Subsidiaries	Corporate registration number	Number of shares	Book value (Skr mn)	Voting power of holding (%)	Domicile	Consolidation method
AB Sektionen	556121-0252	4,000	103.5	100%	Stockholm	Purchase method
AB SEK Securities	556608-8885	100,000	10.0	100%	Stockholm	Purchase method
SEK Financial Advisors AB	556660-2420	5,000	5.0	100%	Stockholm	Purchase method
SEK Financial Services AB	556683-3462	1,000	0.1	100%	Stockholm	Purchase method
SEK Customer Finance AB	556726-7587	1,000	16.6	100%	Stockholm	Purchase method
SEK Exportlånet AB	556761-7617	1,000	0.1	100%	Stockholm	Purchase method
Venantius AB (publ)	556449-5116	5,000,500	90.2	100%	Stockholm	Purchase method
Total			**225.5**			

2.3 DISCLOSURE STRUCTURE

This report provides information about risks, risk management and capital adequacy in accordance with Pillar 3 of the capital adequacy regulation (Basel II). The contents of this report conform to the Swedish Financial Supervisory Authority's regulation FFFS 2007:5. The figures reported in this report refer to the SEK group. The figures for the group and for the parent company are essentially the same.

The figures in parentheses in this report refer to comparative data from 2009.

The information is not required to be, and therefore has not been, subject to external audit. However, the information in this disclosure document has been subjected to internal quality assurance.

There are important differences between group's financial statements and the information in this risk report. The Basel II disclosures are presented on the basis of a regulatory, rather than an accounting, consolidation. Therefore, disclosures in the Pillar 3 report may not always be directly comparable to the information in the company's annual report. SEK's 2010 Annual Report provides a reconciliation between the group's balance sheet in accordance with IFRS and exposures in accordance with Basel II. For this detailed description of the differences, please see Note 27 in SEK's Annual 2010 Report.

The report is structured as follows: Chapter 3 (Risk and Capital management) provides a description of SEK's overall risk and capital management policies. This chapter also describes how SEK formulates its capital targets and risk appetite, and how risk categories are defined. In addition, the chapter provides a description of how the internal control environment has been organized.

Chapter 4 (Capital adequacy and Capital base) provides information about the terms and conditions that apply to the items included in SEK's capital base. It also provides a capital adequacy analysis.

Chapter 5 (ICAAP and Economic capital) describes SEK's internal capital adequacy assessment process and the methods that form the basis for the overall assessment of the capital requirement. This chapter contains analyses and conclusions regarding capital requirements.

Chapters 6–11 present information regarding how SEK identifies and analyzes credit risk (including counterparty risk in derivative transactions), market risk, operational risk, liquidity and funding risk, reputational risk, and business risk and strategic risk. The various approaches used to calculate capital requirements for these risks are also described in these chapters. Chapter 6 also provides information about SEK's credit portfolio, write-downs and the use of credit-risk protection.

3. RISK AND CAPITAL MANAGEMENT

3.1 RISK MANAGEMENT AND RISK CONTROL

Risk management is a key factor in SEK's ability to offer its customers favorable financing solutions, develop SEK's business activities, and thus contribute to the company's long-term development. SEK's customers often require large credits with long maturities, and these credits sometimes entail risks that would be too large to be acceptable to SEK without the use of risk-mitigating techniques. Therefore, in order to be able to carry out such transactions, a well-developed risk management system is required. Risk management requires knowledge and processes that are able to handle well-known risks with well-defined techniques, as well as being able to identify new risks and manage them by developing new techniques. Support from SEK's Board of Directors, and a clear line of decision-making authority, combined with awareness of risk among our employees, uniform definitions and principles, and control of risks incurred within an approved framework, as well as transparency in the external accounts make up the cornerstones of SEK's risk and capital management system.

It is not only in transactions with customers that risk management skills are decisive. Based on SEK's business model, which has been used for many years, SEK's funding activities benefit from various types of risk preferences that exist in the market. By being flexible and accepting new types of structures at an early stage – while at the same time being able to manage the risks – the company can respond to investor demands regarding risk exposure and at the same time obtain funding on favorable terms.

Risk management comprises two important components. One is to manage risks so that net risks are kept at the right level. The other is to assess the company's internal capital adequacy and ensure a level and composition of risk capital that is in line with the development of its business activities.

CHART 3.1: BASIC PRINCIPLES FOR RISK MANAGEMENT

- SEK shall carry out its business in such a manner that SEK is perceived as a first-class counterparty by its business counterparties.
- SEK shall be selective in its selection of counterparties in order to ensure high creditworthiness.
- All SEK's credit commitments shall at all times be fully funded through maturity.
- SEK shall at all times have a capital base that is well above regulatory requirements.

As described above in chart 3.1, SEK's policy is that all SEK's credit commitments – outstanding credits as well as agreed but undisbursed credits – shall be fully financed through maturity. "Credit commitments" mean outstanding credits as well as agreed, but undisbursed credits.

SEK defines risk[1] in terms of the probability of a negative deviation from an expected financial result. Risk management includes all activities that affect the assumption of risk, i.e., SEK's processes and systems that identify, measure, analyze, monitor and report risks at an early stage. Adequate internal controls, consisting of a set of rules, systems and routines, as well as robust monitoring of adherence to these, helps ensure that the company is run in a reliable, efficient and controlled manner. Risk control refers to all activities for measuring, reporting and responding to risks, independent from the (risk-taking) units. SEK implements risk control from two different perspectives: (i) risk-related corporate governance that primarily includes risk management procedures and related limits, and (ii) management and control procedures that are carried out at the company level and include elements of corporate organization, corporate governance and internal controls.

SEK's risk management is mainly directed towards credit, market, liquidity, and operational risks. The Management and control at the corporate level cover the entire group, i.e. all risks, but are directed especially at risk appetite, capital targets and business environment risks.

TABLE 3.1: SEK'S MOST SIGNIFICANT RISK CATEGORIES

Credit risk	*Credit risk* represents the risk of the loss that would occur if a borrower or other party to any contract involving counterparty risk and guarantors, if any, are unable to fulfill their obligations in accordance with contractual terms and conditions.
Market risk	*Market risks* occur when the terms of a contract are such that the size of the payments linked to the contract or the value of the contract vary in function of a market variable, such as an interest rate or an exchange rate.
Liquidity and funding risk	*Liquidity and funding risk* is defined as the risk of not being able to meet SEK's own payment obligations upon their due dates.
Operational risk	*Operational risk* is defined as the risk of losses as a result of inappropriate or failed processes, human error, erroneous systems or external events. The definition also includes legal risk.
Business risk	*Business risk* is defined as the risk of lower revenues due to failure to reach volume and margin objectives or due to competition in general.
Strategic risk	*Strategic risk* is defined as the risk of lower revenues as a result of adverse business decisions, improper implementation of decisions or lack of adequate responsiveness to changes in the regulatory and business environment.
Reputational risk	*Reputational risk* is defined as the risk of lower revenues due to external rumors about the company or the industry in general.

3.2 CAPITAL POLICY, CAPITAL TARGETS AND RISK APPETITE

SEK's *capital policy* defines how capital management should support business objectives. One important goal is to, through size of shareholders equity, balance shareholders' demand for return with financial stability requirements required by regulators, debt investors, business counterparties, other market participants and rating agencies. The company's capital policy is set by the Board of Directors.

SEK's *capital target* serves two purposes. The first is to ensure that the company's capital strength is sufficient to support the strategy set out in the company's business plan and to ensure that capital adequacy is always higher than the minimum regulatory requirement, even during severe economic downturns. The other purpose is to maintain capital strength that supports high creditworthiness, which in turn ensures access to long-term funding on beneficial terms.

[1] Risk is a balancing of both probabilities and consequences with respect to a given event. The term "risk" is generally used when there is at least one negative consequence of an event. The balancing means that the risk, in total, may be high, even if the probability is low, depending on whether or not the consequences are serious.

The capital target is expressed in the form of two measures:

i. The Tier 1 capital ratio is the relationship between Tier 1 capital and risk-weighted assets (RWA), calculated in accordance with Basel II, Pillar 1. The target level for this ratio is 13 percent, viewed as an average over the economic cycle.
ii. The company's need for economic capital should not, on average, exceed 80 percent of available capital over the economic cycle. In addition to this, the need for economic capital should never exceed available capital. Available capital refers to Tier 1 capital. The 20 percent buffer that the company aims to maintain should be viewed as a general buffer requirement to cover negative developments in the business environment resulting in increased credit losses and an increased need for economic capital. This means that the buffer may be less than 20 percent during certain periods of the economic cycle.

In addition to this capital target, the company expresses *risk appetite* as follows:

1. SEK's required rate of return is the long-term risk-free interest rate plus 4 percent.
2. According to SEK's policy, SEK's annual dividend must be a minimum of 30 percent of after profit tax.
3. SEK's credit commitments – outstanding credits as well as agreed but undisbursed credits – shall be fully financed through maturity (referred to as positive availability).
4. The relationship between exposures and Tier 1 capital (in accordance with the leverage limit rules, which are expected to be introduced from 2018) may not exceed 40 times.
5. The target for the external rating is 'AA+', or one notch below the owner's sovereign rating, although the company's rating should never be lower than 'AA-'.
6. Business risk is quantified by measuring volatility in operating profit, excluding credit losses.
7. Operational risk must be at a low level.
8. The company has a zero-tolerance approach to liquidity risk and compliance risk. In addition to this, the company is very strongly averse to reputational risk.

3.3 ORGANIZATION

The ultimate responsibility for SEK's business, and for ensuring it is carried out with good internal control, lies with the *Board of Directors (the "Board").* The Board establishes policies and at every meeting receives a summary report on the risk situation. The President is responsible for ongoing administration. In addition to the Board and the President, there are committees with various powers to make decisions depending on the types of risks encountered. Table 3.2 describes SEK's committee structure, roles and members during 2010:

TABLE 3.2: SEK'S COMMITTEE STRUCTURE, ROLES AND MEMBERS, AS OF JANUARY 1, 2011

COMMITTEE	FOCUS	MEMBERS
The Board's Finance Committee	A drafting group for the Board adressing questions relating to SEK's financial activities. Such financial activities refer to long-term and short-term borrowing, liquidity management, risk measurements and risk limits, and matters relating to policy or quality assurance. Decides on interest rate and currency risk limits.	Four members who are not employees of the company (one of these members is the chairperson). The President and Executive Director-COO attend the meetings. SEK's general counsel acts as the secretary to the committee.
The Board's Credit Committee	A drafting group for the Board addressing questions relating to credit and credit decisions. The highest decision-making body (after the Board itself) with respect to credit decisions.	Four members who are not employees of the company (one of these members is the chairperson). The President, Executive Director-Strategic Analysis and Executive Director-International attend the meetings. SEK's general counsel acts as the secretary to the committee.
The Board's Remuneration Committee	Discusses matters relating to salaries and other benefits for the President and overall issues relating to salaries and other benefits. Decides on salaries and other benefits for SEK's executive management (with the exception of the President) and prepares proposals on the terms for and the outcome of the general incentive system.	Three members who are not employees of the company (one of these members is the chairperson). The President participates in meetings of the committee in matters that do not relate to the President's terms and conditions of employment. The Executive Director-Human Resources also participates in the Remuneration Committee meetings. SEK's general counsel acts as the secretary to the committee.
The Board's Audit Committee	A drafting group for the Board addressing matters relating to SEK's financial reporting and corporate governance report (including the Board's internal control report) in accordance with the Swedish Corporate Governance Code.	Two members who are not employees of the company (one of these members is the chairperson). The President and Executive Director-Administrative Officer attend the meetings. The Chief Accounting Officer, Internal Control Officer and Managing Director-Head of Internal Audit report on the committee's work. External auditors also attend the meetings and report to the committee. SEK's general counsel acts as the secretary to the committee.

COMMITTEE	FOCUS	MEMBERS
Asset and Liability Committee	Responsible for matters relating to SEK's financial activities, including SEK's short- and long-term financial stability. Also responsible for ensuring that the internal capital adequacy assessment is performed, presented to the Board's Finance Committee and approved by the Board. In addition, it decides on the structure and governance of SEK's balance sheet, considers matters relating to borrowing, and coordinates matters related to risk capital and liquidity, as well as validating the parameters used by SEK's economic capital model. The Asset and Liability Committee has the right to decide on risk limits within the scope of its mandate. The Committee also prepares and proposes risks limits in those cases in which the limits must be approved by the Board or the Board's Finance Committee.	The President (chairman), Executive Director-COO, Managing Director-Head of Treasury, Managing Director-Head of Funding and Managing Director-Head of Risk Control.
Credit Committee	Responsible for matters concerning credits and credit risk management within SEK. The Credit Committee has the right to make credit decisions within the scope of its mandate and on the basis of authority ultimately delegated by the Board.	The President (chairman), Executive Director-International, Executive Director-Strategic Analysis, Executive Director-Vice COO, Managing Director-Head of Corporate and Managing Director-Head of Credit Management.
Internal Control Committee	Responsible for the management and monitoring of operational risks. Also responsible for managing and following-up on incident reports, as well as following-up on reports from internal and external auditors. The committee serves as a deliberative and decision-making body for new products.	The President (chairman), Executive Director-COO, Executive Director-Strategic Analysis, Executive Director-Administrative Officer, Managing Director-Head of Risk Control, Chief Accounting Officer and Internal Control Officer.
Executive Committee	The Executive Committee a) acts as the President's consultative body on company-wide matters; b) prepares and submits recommendations on matters that are deemed to be of fundamental significance or otherwise of great importance for the company, and c) decides on the issues that the President refers to the Executive Committee.	The President (chairman), Executive Director-COO, Executive Director-International, Executive Director-Strategic Analysis, Executive Director-Administrative Officer, Executive Director-Human Resources, Executive Director-Vice COO and Executive Director-Communications.

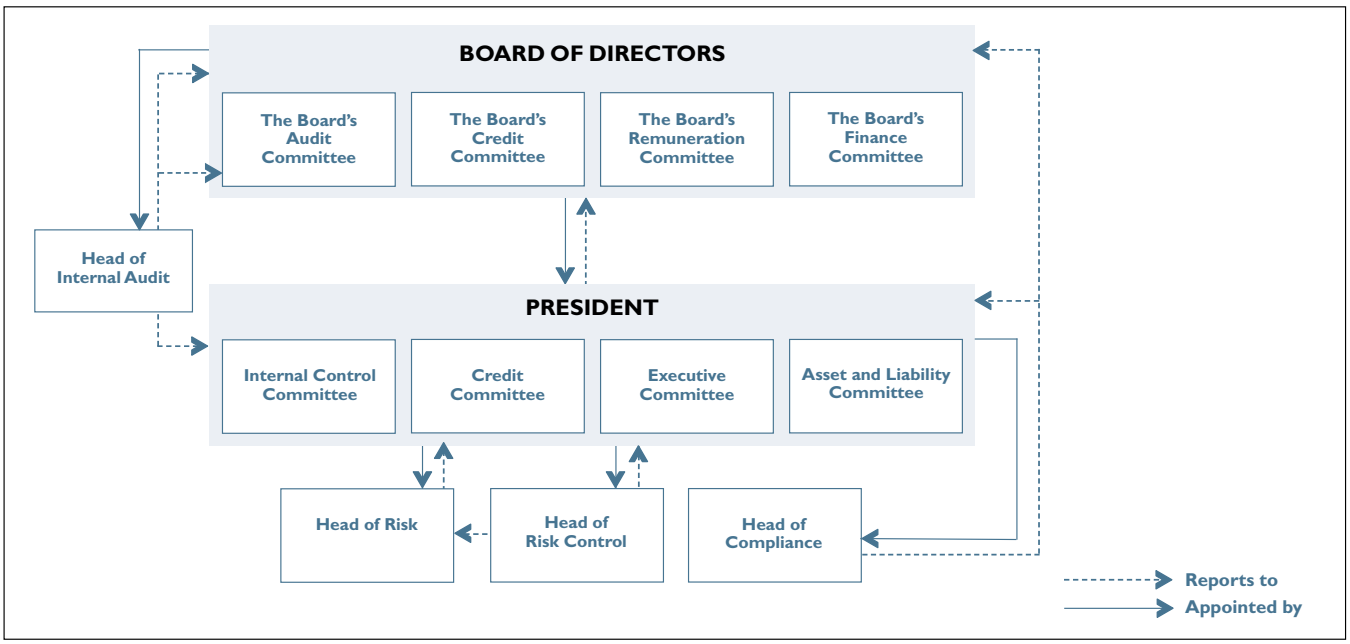
SEK's independent risk control is carried out by the *Risk Control function*, which reports to the Head of Risk and to the President. Based on a portfolio perspective, Risk Control is responsible for the control, analysis and reporting of financial risks. Risk Control is also responsible for measurement and assessment of operational risks. The financial risks primarily consist of credit and counterparty risks, and market risks, as well as funding and liquidity risks. The Risk Control function monitors the company's risk strategy, risk management and rating methods for credit risk classification, as well as calculating, analyzing and forecasting regulatory capital adequacy and the need for economic capital. The function is also responsible for the choice of methods and models, and must act as a center of excellence, with the task of contributing to increasing SEK's risk management capacity, including by analyzing diversification and risk mitigation effects.

SEK has also a *Compliance function*. The overall purpose of this function is to support the Group in running its operations in accordance with applicable regulations, including the monitoring of regulatory compliance within the company. The function reports to both the Board and the President.

SEK has an independent *Internal Audit function* which conducts audits and evaluations to ensure that the company's risk management and corporate governance processes are effective and efficient. As of February 2, 2011, the Head of Internal Audit reports directly to the Board. Internal Audit carries out audit activities in accordance with the prevailing audit plan which is approved by the Board. The Head of Internal Audit regularly reports its findings to the Board, the Audit Committee and the President in addition to periodically informing the company's management.

It is a fundamental principle for all control functions to be independent of the commercial activities. Chart 3.2 shows SEK's organization for corporate governance.

CHART 3.2: SEK – CORPORATE GOVERNANCE STRUCTURE, AS OF FEBRUARY 2, 2011



4. CAPITAL BASE AND CAPITAL ADEQUACY

SEK's capital adequacy ratio, calculated according to Basel II, Pillar 1, as of December 31, 2010, was 22.4 percent without taking into account the effects of currently applicable transitional rules. When taking the transitional rules into account, the capital adequacy ratio was still 22.4 percent.

4.1 CAPITAL BASE

The capital base is intended to act as a buffer against the risks to which SEK is exposed and comprises the sum of Tier-1 and Tier-2 capital. In short, the capital base consists of equity capital after various adjustments plus subordinated debt. Subordinated debt may be included in the capital base, which means that in the event of the obligor being declared bankrupt, the holder would be repaid after other creditors, but before shareholders. Subordinated debt can be both perpetual and non-perpetual and the amount of each type that may be included in the capital base is restricted by the capital adequacy rules. All SEK's capital contribution securities are issued under the previous regulatory framework; the entire amount is therefore included according to the transitional arrangements in FFFS 2010:10. Details of the calculation of the capital base are shown in tables 4.1 and 4.2.

There are no ongoing or expected material obstacles, or any legal obstacles whatsoever, to a quick transfer of funds from the capital base or repayment of liabilities between SEK and its subsidiaries.

TABLE 4.1: CAPITAL BASE – SUPPLEMENTAL AND DEDUCTION ITEMS, AS OF DECEMBER 31, 2010 (AND 2009)

Skr mn		
Equity	12,570	(13,455)
Adjusting items:		
Expected dividend	–301	(–518)
Items recognized at fair value	–75	(–1,520)
Intangible assets	–58	(–30)
Tier-1 eligble subordinated debt	2,381	(2,524)
Deduction from Tier-1	n.a	(–1,355)
100% of expected loss in accordance with IRB calculation	–85	(–)
Total Tier-1 capital	**14,432**	**(12,556)**
Tier-2 eligible subordinated debt	–	(518)
Deduction from Tier-2 capital	–	(–1,355)
Financial assets available for sale	–	(1,262)
Adjusting items:		
100% of expected loss surplus IRB calculation	–	(181)
Total Tier-2 capital	**0**	**(606)**

TABLE 4.2: SUBORDINATED DEBT AS OF DECEMBER 31, 2010 (AND 2009)

Skr mn		
Perpetual, non-cumulative subordinated loan, foreign currency (i), (ii)	2,590	(2,625)
Non perpetual, cumulative subordinated loan, foreign currency (iii)	–	(518)
Total subordinated debt outstanding	**2,590**	**(3,143)**
of which denominated in:		
Swedish kronor	–	(–)
Foreign currency	2,590	(3,143)

(i) Nominal value USD 200 million. Interest payments quarterly in arrears at a rate of 5.40 percent per annum. Redeemable, at SEK's option only, at the end of any financial quarter, at 100 percent of the nominal value. Redemption requires the prior approval of the Swedish Financial Supervisory Authority. Interest payments will not be made if SEK does not have available distributable capital for making such payments. The investors' right to receive accrued but unpaid interest will thereafter be lost (non-cumulative). In order to prevent the issuer being obliged to enter into liquidation, the shareholder, on the approval of the Swedish Financial Supervisory Authority may decide that the principal amount and any unpaid interest will be utilized in meeting losses. However, SEK can not thereafter pay any dividend to its shareholders before the principal amount has been reinstated as debt in full in the balance sheet or has been redeemed with the approval of the Swedish Financial Supervisory Authority and such accrued but unpaid interest has been paid.

(ii) Nominal value USD 150 million. Interest payments quarterly in arrears at a rate of 6.375 percent per annum. Redeemable, at SEK's option only, at the end of any financial quarter, at 100 percent of the nominal value. Redemption requires the prior approval of the Swedish Financial Supervisory Authority. Interest payments will not be made if SEK does not have available distributable capital for making such payments. The investors' right to receive accrued but unpaid interest will thereafter be lost (non-cumulative). In order to prevent the issuer being obliged to enter into liquidation, the shareholder, on the approval of the Swedish Financial Supervisory Authority may decide that the principal amount and any unpaid interest will be utilized in meeting losses. However, SEK can not thereafter pay any dividend to its shareholders before the principal amount has been reinstated as debt in full in the balance sheet or has been redeemed with the approval of the Swedish Financial Supervisory Authority and such accrued but unpaid interest has been paid.

(iii) Nominal value EUR 50 million. Matures on June 30, 2015. Interest payments quarterly in arrears at a rate of Euribor plus 0.20 percent. SEK redeemed the loan before maturity on June 30, 2010 at 100 percent of the nominal value following approval by the Swedish Financial Supervisory Authority.

4.2 CAPITAL ADEQUACY ANALYSIS

Since 2007, the capital requirement has been determined, primarily, based on Basel II rules. The Swedish legislature has, however, chosen not to immediately allow the full effect of the Basel II regulations. The reason for this is that these rules would result in a lower capital requirement than a gradually reduced capital requirement calculated on the basis of the earlier, less risk-sensitive, Basel I rules for those institutions that use internal rating methods. Therefore, during a transitional period, initially set from 2007 to 2009 but since extended to the end of 2011, the relevant institutions (including SEK) have made parallel capital requirement calculations based on Basel I rules. In the event that the capital requirement calculated under the Basel I rules – reduced to 95 percent of the calculated total in 2007, 90 percent in 2008, and 80 percent in 2009, 2010 and 2011 – has exceeded the capital requirement based on the Basel II rules, the capital requirement

based on the Basel I rules (reduced by the relevant percentage) has constituted the minimum capital requirement during the transitional period.

At the end of 2010 SEK's total capital requirement (excluding application of the Basel I-based transitional requirements) amounted to Skr 5,152 million (year-end 2009: Skr 5,306 million). See Table 4.3 for a detailed calculation of this amount. The aggregate amount of SEK's large exposures on December 31, 2010, was 277 percent (year-end 2009: 120 percent) of SEK's total regulatory capital base, and consisted of risk-weighted exposures to 20 counterparties or counterparty groups (year-end 2009: 8 counterparties or counterparty groups). The majority of these relate to combined exposures, in respect of which more than one counterparty is responsible for the same payments. The increase in the aggregate amount of SEK's large exposures between 2009 and 2010 was due to the changes made in the large-exposure regime. The changes in these rules came into force on December 31, 2010, with transitional rules applicable through to the end of 2012. According to the new rules, financial institution exposures are treated in the same way as corporate exposures. A 100 percent weighting is applied for these exposures instead of the previous 20 percent weighting. SEK applies the transitional rules, which enable the previous method of treatment to be applied to those financial institution exposures incurred no later than 2009.

TABLE 4.3: CAPITAL REQUIREMENT (PILLAR 1), AS OF DECEMBER 31, 2010 (AND 2009)

Skr mn	Risk-weighted assets		Capital requirement	
Credit risk standardized approach	925	(842)	74	(67)
Credit risk IRB method	58,157	(62,349)	4,653	(4,988)
Currency exchange risks		–		–
Operational risk	5,371	(3,137)	430	(251)
Total Basel II	**64,453**	**(66,328)**	**5,157**	**(5,306)**
Basel I based additional requirement[1)]	26	(3,880)	2	(311)
Total Basel II incl. additional requirement	**64,479**	**(70,208)**	**5,159**	**(5,617)**
Total Basel I	**80,599**	**(87,760)**	**6,448**	**(7,021)**

[1] The item "Basel I Based Additional Requirement" is calculated in accordance with § 5 of the law (2006:1372) on implementation of the law containing the capital adequacy requirements and large exposures rules (the latter being law no. 2006:1371).

The ratio of the capital base to risk-weighted assets (RWA) is the capital adequacy ratio. The ratio of the capital base to the capital requirement is the capital adequacy quotient. The capital adequacy ratio, calculated in accordance with Basel II, Pillar 1, totaled 22.4 percent as of December 31, 2010 before consideration of the transitional rules (year-end 2009: 19.8 percent). With the transitional rules taken into consideration, the capital adequacy ratio totaled 22.4 percent (year-end 2009: 18.7 percent), of which the Tier-1 ratio was 22.4 percent (year-end 2009: 17.9 percent). Table 4.4 provides the breakdown of these ratios.

TABLE 4.4: CAPITAL ADEQUACY ANALYSIS (PILLAR 1), AS OF DECEMBER 31, 2010 (AND 2009)

%	Excl. Basel 1-based add. requirement		Incl. Basel 1-based add. requirement	
Total capital adequacy	22.4%	(19.8%)	22.4%	(18.7%)
of which:				
Related to Tier-1	22.4%	(18.9%)	22.4%	(17.9%)
Related to Tier-2	–	(0.9%)	–	(0.9%)
of which:				
Upper Tier-2	–	(0.3%)	–	(0.3%)
Lower Tier-2	–	(0.6%)	–	(0.6%)
Capital adequacy quotient[1]	2.80	(2.48)	2.80	(2.34)

[1] Capital adequacy quotient = Total capital base/total capital requirement

5. ICAAP AND ECONOMIC CAPITAL

SEK's assessment is that SEK's expected available capital amply covers the expected risks in the different scenarios that SEK envisages, in a way that supports SEK's high creditworthiness.

5.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

Under Pillar 2, institutions are responsible for designing their own processes for internal capital adequacy assessment (ICAAP). This requires that institutions must in an overall and comprehensive manner measure their risks and assess their risk management and, on the basis of such assessment, determine their capital needs. They must also communicate their analysis and conclusions to the Swedish Financial Supervisory Authority. The ICAAP must be documented and disclosed throughout the whole company. As part of its strategy planning process, SEK's Board of Directors and management establish the company's risk appetite and clear objectives with regard to the level and composition of the risk capital.

The risk-related internal capital adequacy assessment forms a single system, together with the formulation of SEK's business strategy, risk management and internal control, and is thus an integral part of SEK's internal control and governance. SEK's ICAAP aims to:

1. Align risk appetite and strategy. Management considers SEK's risk appetite when evaluating strategic options, setting related objectives, and developing mechanisms to manage related risks.
2. Reduce operational surprises and losses. SEK seeks to gain enhanced capabilities to identify potential events and take remedial action, so as to reduce surprises as well as associated costs or losses.
3. Take advantage of favorable opportunities through integration with business plan processes. By considering potential events, management is positioned to identify and proactively realize business opportunities and other favorable opportunities.
4. Improve the deployment of capital. Robust information on potential risks allows management to effectively assess overall capital needs and enhance capital allocation.

To calculate capital requirements in accordance with Pillar 2, SEK uses other methods than those used to calculate the capital requirements under Pillar 1. Under Pillar 2, a number of other risks are analyzed in addition to those risks covered by capital under Pillar 1. These risks are analyzed based on a perspective of proportionality, with the greatest focus being placed on those risks that are of most significance for SEK. In order to also take into account factors such as concentration risk, the company, based on a quantitative approach, calculates the total economic capital needed for credit risk. In addition, SEK makes its own assessment of the capital requirement for operational risk and structural interest rate risk (based on interest rate risk in the banking book). SEK believes that capital does not constitute a risk-reducing factor for certain types of risks; this is the case for reputation and liquidity risk. Instead, SEK applies active risk mitigation for these risks. Chart 5.1 describes how SEK groups and analyzes its risks in the capital adequacy assessment process.

CHART 5.1: SEK'S GROUPING OF RISKS IN THE ICAAP

5.2 ECONOMIC CAPITAL

For internal assessment and evaluation of the capital requirements for credit risk under Pillar 2, SEK works with economic capital (EC), which it believes to be a more precise and risk-sensitive measurement in relation to the regulatory capital requirement.

In order to ensure continued high credit quality for SEK, and an adequate relationship between risks and the risk-bearing capital in various possible scenarios, analyses and stress tests are carried out. An important tool for these analyses and test is SEK's model for the calculation of economic capital. The scenarios examined are based on SEK's business operations and the composition of SEK's total portfolio.

Parameters that can be used to simulate the impact of relevant scenarios are primarily ratings (rating migration); probability of default (PD); exposure at default (EAD); loss given default (LGD); and correlations. The scenario analyses and stress tests must be carried out regularly, at least once per year. Table 5.1 shows parameters that are essential for the quantification of credit risk, and how they are set for the Foundation IRB approach, which SEK uses, as well as for the Advanded IRB approach and economic capital.

TABLE 5.1: THE DIFFERENCE BETWEEN THE IRB APPROACH UNDER PILLAR 1 AND THE CALCULATION OF ECONOMIC CAPITAL UNDER PILLAR 2

Risk parameters	Foundation IRB approach	Advanced IRB approach	Economic capital
Probability of default (PD)	**Internal estimation**	**Internal estimation**	**Internal estimation**
Exposure at default (EAD)	Conversion factors [1]	**Internal estimation**	**Internal estimation**
Loss given default (LGD)	45% [1,2]	**Internal estimation**	**Internal estimation**
Maturity (M)	2.5 years [1,2]	**Internal estimation**	**Internal estimation**
Correlations	[1]	[1]	**Internal estimation**

[1] Risk parameters established by the Swedish Financial Supervisory Authority.
[2] 45% and 2.5 years are normally applicable.

5.2.1 CREDIT RISK MODELING

The need for economic capital regarding credit risk is based on a calculation of Value at Risk (VaR), calculated with a 99.9 percent confidence level, and constitutes a central part of the company's internal capital adequacy assessment. Below is a description of the principles that govern the internal model for credit risk that SEK uses. The calculation of VaR forms the basis for SEK's assessment of how much capital should be allocated for credit risk under Pillar 2, in addition to the capital required under Pillar 1. This quantitative approach is complemented with qualitative assessments. The internal model is then compared with the credit risk quantification under Pillar 1. SEK analyzes the differences between the applications of these two different methods in detail through a so-called decomposition, where every significant difference in approach between the methods is analyzed separately. These differences in approach are made up of both deviations in regard to modeling approaches and differences in parameters.

Two central components that characterize a portfolio risk model are (i) a model for correlations among counterparties, and (ii) a model for the probability of defaults for individual counterparties. SEK uses a simulation-based system to calculate the risk for credit portfolios where the correlation model takes into consideration each counterparty's industry and domicile through a multi-factor model. In addition, the correlation model continually takes market data into consideration and the correlations are updated weekly.

The counterparties' probability of default is based, in principle, on the same PD estimate that is used in the calculation of capital requirements under Pillar 1. SEK's model also takes into consideration rating migrations and the unrealized value changes that these result in. Output from the model consists of a probability distribution of the credit portfolio's value for a specific time horizon – normally a period of one year. This probability distribution makes possible a quantification of the credit risk for the portfolio and, thereby, an estimation of the need for economic capital. Quantification is carried out by calculating VaR, based on the probability distribution, at the confidence level of 99.9 percent. In addition, the credit risk model forms the basis for a capital attribution by allocating the economic capital among the individual counterparties.

5.2.2 DECOMPOSITION – COMPARISON BETWEEN PILLAR 1 AND PILLAR 2

The regulatory capital requirement under Pillar 1 for corporate and financial institutions exposures is calculated using the Basel formula. This formula is derived from the same approach to modeling credit risk as SEK's internal model for calculating credit risk-related economic capital. A good approximation of the regulatory capital requirement under Pillar 1 is obtained by changing the approach in the internal model (see 5.2.1) to one that is analogous to that of the Basel formula. Then, by changing the approach step by step and thus returning incrementally to the internal approach, the effect of each step on the total difference between Pillar 1 and Pillar 2 can be analyzed. As is noted above, this analysis is called decomposition, as it breaks down the total difference between the pillars into components. This is performed periodically and is a fundamental part of the SEK's Internal Capital Adequacy Assessment Process (ICAAP).

5.2.2.1 Factors on which the Pillar 1 and Pillar 2 approaches differ

SEK's Pillar 1 approach differs from SEK's internal approach under Pillar 2 with regard to ten different factors. These factors can be divided into two groups, (i) the internal model and its parameterization, and (ii) exposure types where the Basel formula is not used under Pillar 1. The first seven factors belong to group (i), while securitizations, government exposures and double default are factors belonging to group (ii). Each factor is explained below:

1. Pillar 1 calibration factor
In the Basel formula there is a calibration factor, which increases the risk weight by 6 percent. This factor is not based on the underlying theoretical model, but rather it is a result of a quantative impact study. The internal model that SEK uses under Pillar 2 does not have such a calibration factor, therefore the analysis needs to take this into account.

2. Name concentration
Pillar 1 assumes a granular portfolio, i.e. that all exposures in a portfolio are so small that their individual sizes do not contribute to risk. Put another way, no name concentration is assumed. In general, this is not a realistic assumption, and particularly not for SEK's portfolio which consists of only a relatively small number of counterparties. Using the internal model, SEK analyzes the effect of name concentration by splitting each exposure into smaller exposures to unique counterparties that, besides their identity, have the same characteristics as the original counterparty. This transformation results in the Pillar 1 view.

3. Correlation
The underlying correlation model of the Basel formula is referred to as a one-factor model. Each counterparty is allocated a value for a correlation parameter, which is only dependent on that counterparty's probability of default. SEK's internal model instead employs a multi-factor model, wherein different counterparties are tied to indices that are geography- and sector-specific. If the same index were to be used for all counterparties, one would obtain the correlation model of the Basel formula. This way SEK

can easily mimic the correlation model of the Basel formula in its internal model, thus enabling analysis of the effect of the capital requirement for the two different correlation assumptions.

4. Short maturities
The Basel formula contains a maturity adjustment parameter. In the Foundation IRB approach, which SEK uses, this parameter is fixed at 2.5 years, regardless of the true maturity of the exposure. This means that the capital requirement for an exposure under Pillar 1 is independent of maturity.

SEK's internal model has a time horizon of one year for the calculation of risk. Exposures with maturities of less than one year are given a reduced probability of default. Thus, the probability of default of a three-month exposure is reduced to a fourth of what it would be if the maturity were one year. For overnight exposures, whose maturity is only one day, the probability of default is virtually negligible. This type of exposure consequently exhibits a significant decrease in capital requirement.

SEK's liquidity portfolio consists, to a relatively large extent, of short-term exposures, meaning that the impact of this factor on the capital requirement is significant. SEK quantifies this impact by calculating the capital requirement, both with the default probabilities implied by the Basel formula and with default probabilities adjusted for maturities of less than one year.

5. Maturity adjustment
For exposures with maturities of more than one year, the internal model employs credit spreads to calculate the impact of maturity on the risk. This is done by letting not only potential defaults affect the portfolio value, but also rating migration.

SEK uses theoretically calculated credit spreads, which are based on historical default statistics from Standard & Poor's. This is because SEK is aiming over time for a more stable through-the-cycle approach to credit risk, as opposed to the point-in-time approach that is implied by using market credit spreads.

6. Floor for default probabilities
The probability of default is an important parameter in credit risk calculations. In the Basel formula, probability estimates below 0.03 percent are not allowed. SEK's estimates of default probability, though, are lower than this so called "PD floor" for the "AAA" and "AA+" rating classes. This means that the internal calculations are made using slightly lower default probabilities for these two rating classes compared with the Basel formula. By changing all the PD estimates below 0.03 percent to 0.03 percent in the internal model, the Basel formula view can be replicated.

7. Loss given default
When using the Basel formula, the Loss Given Default (LGD) parameter is provided for each exposure. Under the Foundation IRB approach, which SEK uses, the value of this parameter is completely governed by regulations, and for a large part of SEK's portfolio it is set at 45 percent. Under Pillar 2 SEK instead uses an LGD value that better reflects SEK's view of LGD. By using the Basel formula's values for LGD, SEK is able to replicate the Pillar 1 view of this factor.

8. Securitizations
SEK's portfolio consists, to some extent, of securitizations. In Pillar 1, the capital requirements for these exposures are given according to standardized risk weights, based on external credit ratings. In the internal model, these types of exposures are treated in a similar way to other exposures so that, for example, concentration risk and maturity are taken into account. SEK quantifies the effect of this factor in the decomposition by comparing the Pillar 1 capital requirement with the increase in capital requirement that occurs when including these exposures in the calculations in SEK's internal model.

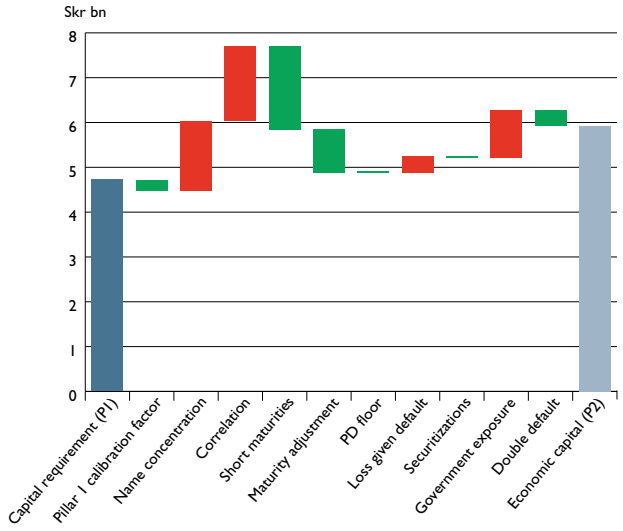
9. Government exposures
For exposures to governments in Pillar 1, SEK uses the standardized approach, yielding a capital requirement of zero for exposures to governments with a high credit rating. SEK's government exposures are mainly of this type.

The internal model treats exposures to governments in a similar way to other exposures. There is, however, an important exception: exposures to SEK's owner (the Kingdom of Sweden) are treated according to a standard rule which specifies that SEK's capital requirement (under Pillar 2) for exposures to the Swedish government is set at a fixed percentage of the amount of the exposure.

10. Double default
In order to reduce concentration risk, SEK has a large amount of credit derivatives. The term "double default", stems from the fact that two simultaneous defaults are required in order for a credit loss to be incurred. To calculate the capital requirement under Pillar 1, a modified version of the Basel formula is used that takes the respective default probability estimates of both the obligor and the guarantor into account. The internal model simulates double defaults realistically through losses being incurred in cases where both obligor and guarantor default.

5.2.2.2 Decomposition as of December 31, 2010
Chart 5.2 shows the result of the decomposition for SEK's portfolio as of December 31, 2010.

CHART 5.2: DECOMPOSITION OF THE DIFFERENCE IN CAPITAL REQUIREMENTS BETWEEN PILLAR 1 AND PILLAR 2



The green and red columns represent the effect on the capital requirement when moving from a Pillar 1 approach to a Pillar 2 approach. The red columns represent increases in the capital requirement, and green columns represent decreases. The left (dark blue) column represents the Pillar 1 capital requirement for credit risk, Skr 4,727 million, and the right (light blue) column represents the total Pillar 2 capital requirement for credit risk, Skr 5,927 million. Thus, these columns represent the starting point and endpoint of the decomposition.

The total additional capital required under Pillar 2 is Skr 1,200 million (5,927 minus 4,727). Chart 5.2 describes, or decomposes, this additional capital. It is worth pointing out that these factors need not result in an increase in the capital requirement, but can also result in a decrease. Hence, contributions of individual factors may exceed the total difference between Pillar 1 and Pillar 2.

5.3 CAPITAL PLANNING

5.3.1 BUSINESS PLAN AND SCENARIO ANALYSES

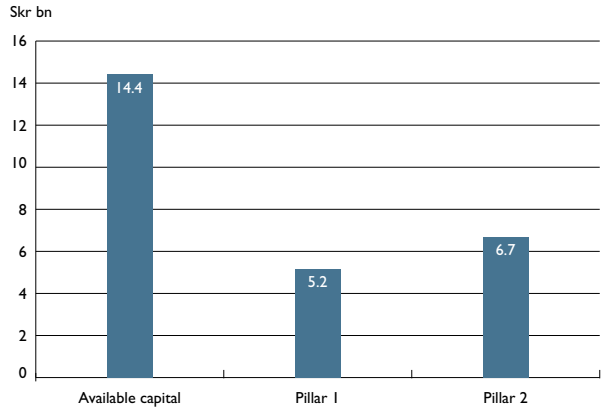
SEK annually assesses the development of its future capital requirements and available capital, primarily in connection with the three-year business plan being updated. One purpose behind the capital assessment is to ensure that the size of SEK's capital is sufficiently in line with risks and supports a high level of creditworthiness. The assessment covers the group. The business plan for the period 2011–2013 was formulated based on the situation in June 2010, together with an assessment of the expected development of new transactions after that time.

An important element in SEK's capital planning consists of scenario analyses. These provide a picture of SEK's risk level and available capital resources, both according to the business plan and under recession scenarios. SEK has, within its 2010 ICAAP process, carried out a scenario analysis which consists of a strongly unfavorable business environment development, i.e. a significant economic downturn, which can be expected to occur approximately every twenty-fifth year. SEK's management has made an analysis of how the stress scenario affects the business plan. This analysis also includes the actions that would be taken if the stress scenario became a reality.

5.3.2 CAPITAL SITUATION

Chart 5.3 compares SEK's available capital with the capital requirements under Pillar 1 and the overall capital requirements under Pillar 2.

CHART 5.3: CAPITAL SITUATION AS OF DECEMBER 31, 2010



SEK's assessment is that expected available capital adequately covers the company's expected risks in the various scenarios envisaged by the company in a way that supports the company's high creditworthiness. SEK also has opportunities to take various measures aimed at strengthening its capital position in order to manage any negative development.

As of December 31, 2010, the total capital requirement under Pillar 2 was Skr 6,694 million, of which Skr 5,927 million was due to credit risk, Skr 516 million was due to operational risk and Skr 251 million was due to interest rate risk in the banking book.

It should be noted that the consequences of the financial crisis – in particular, in the form of regulatory developments – will probably have an impact on SEK in the same way as on other financial institutions. The changes are likely to lead to increased capital requirements and lower profitability. SEK's assessment, however, is that SEK is well prepared for the forthcoming regulatory changes.

5.3.3 CREDIT RISKS IN SEK'S CREDIT PORTFOLIO AS OF DECEMBER 31, 2010

SEK's credit portfolio is of high credit quality, with fairly high concentrations as a result of the company's mandate to support the Swedish export industry. Export credits are guaranteed largely by government export credit agencies, which is why there is a large exposure towards national governments, including that of Sweden. Chart 5.4 summarizes the distribution of risk by showing a breakdown of nominal exposure, capital requirement and economic capital by different risk classes.

CHART 5.4: EXPOSURE, PILLAR 1 CREDIT RISK CAPITAL REQUIREMENT AND CREDIT RISK ECONOMIC CAPITAL AS PERCENTAGES OF TOTAL, EXCLUDING ASSETS WITHOUT COUNTERPARTIES, BY CREDIT RATING AS OF DECEMBER 31, 2010

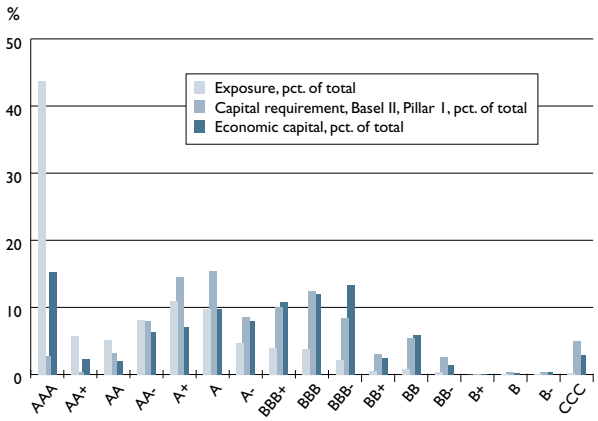


Table 5.2 shows exposures and capital measures by geographic region. The concentration in respect of Sweden is reflected primarily in the fact that the need for capital to cover exposures to counterparties domiciled in Sweden is significantly higher than the minimum capital requirement under Pillar 1 for the same exposures.

TABLE 5.2: EXPOSURE, PILLAR 1 CREDIT RISK CAPITAL REQUIREMENT AND CREDIT RISK ECONOMIC CAPITAL, EXCLUDING ASSETS WITHOUT COUNTERPARTY, BY REGION AS OF DECEMBER 31, 2010

	Exposure		Credit risk capital requirement, Basel II, Pillar 1		Credit risk economic capital	
Region	**Skr mn**	**in %**	**Skr mn**	**in %**	**Skr mn**	**in %**
Sweden	178,718	52%	1,861	39%	3,273	55%
remaining Nordic region	27,380	8%	658	14%	704	12%
remaining Europe	96,542	28%	1,395	30%	1,420	24%
North America	31,661	9%	617	13%	433	7%
Oceania	10,103	3%	128	3%	59	1%
Asia	1,317	0%	51	1%	17	0%
South America	72	0%	4	0%	21	0%
Total	**345,793**	**100%**	**4,714**	**100%**	**5,927**	**100%**

TABLE 5.3: EXPOSURE, PILLAR 1 CREDIT RISK CAPITAL REQUIREMENT AND CREDIT RISK ECONOMIC CAPITAL, EXCLUDING ASSETS WITHOUT COUNTERPARTY, BY SECTOR AS OF DECEMBER 31, 2010

	Exposure		Credit risk capital requirement, Basel II, Pillar 1		Credit risk economic capital	
Region	**Skr mn**	**in %**	**Skr mn**	**in %**	**Skr mn**	**in %**
Government export credit agencies	123,788	36%	0	0%	739	12%
Financial institutions	114,107	33%	2,346	50%	1,727	29%
Corporates	43,276	13%	1,959	42%	2,894	49%
Securitization positions	23,973	7%	340	7%	320	5%
Regional governments	23,752	7%	0	0%	134	2%
Central governments	16,469	5%	68	1%	113	2%
Multilateral development banks	423	0%	0	0%	1	0%
Retail	5	0%	0	0%	0	0%
Total	**345,793**	**100%**	**4,714**	**100%**	**5,927**	**100%**

6. CREDIT RISK

Credit risks are SEK's largest risks. Credit risks are inherent in all assets and other contracts in which a counterparty is obliged to fulfill obligations. Credit risks are limited through the methodical and risk-based selection of counterparties, and they are managed by, among other things, the use of guarantees and credit derivatives.

6.1 INTERNAL RATINGS-BASED APPROACH (IRB)

All of SEK's counterparties must be assigned an internal risk classification or rating except those counterparties that have been expressly exempted from this requirement by the Swedish Financial Supervisory Authority (see section 6.1.4). The design of the company's IRB system includes both operational and as well as analytical aspects. The operational design concerns the organizational process for, and controls on how, counterparties are assigned risk classifications. Important operational aspects of the process include where in the company the risk classification is performed and established, and how the responsibility for monitoring, validation and control is distributed throughout the organization. The analytical design concerns how risk is measured and assessed. This includes how the loss concept is defined and measured, and which methods and models are used for risk classification and the calculation of risk. The analytical design of the risk classification system often differs significantly among different financial institutions. The systems, however, share the fact that every credit exposure within a specific risk class is associated with a number of quantifiable risk criteria.

SEK's internal rating system (the IRB system) comprises all the various methods, work and decision processes, control mechanisms, guideline documents, IT systems, processes and routines that support risk classification and quantification of credit risk.

6.1.1 SEK'S RATING COMMITTEE

The decision concerning an internal rating for a counterparty is taken by SEK's Rating Committee. The Rating Committee's task is to use analyses and credit assessments that are carried out according to established methods and rating proposals from SEK's credit analysis function (Credit Management) in order to (i) establish ratings for new counterparties, (ii) when considered relevant, review ratings for existing counterparties, and (iii) at least on an annual basis, review credit ratings for existing counterparties.

Committee members are appointed by the Executive Committee in such a way that a majority of the members represent non-commercial functions within the company. The committee members, who come from various functions within SEK, must have both broad and in-depth expertise in risk assessment and/or experience in credit ratings. A rating that has been established by the Rating Committee may not be appealed against or amended by another body within SEK. The minutes of the Rating Committee consist of memoranda drawn up by the responsible analyst and signed by members of the committee.

6.1.2 RISK CLASSIFICATION

6.1.2.1 Time horizon

One important question in an expert-based system, such as SEK's, is the intended time horizon of risk classification. The simplest approach would be for each risk classification to reflect the borrower's ability to repay given current conditions. This approach is known as point-in-time, and is designed to estimate the risk of the borrower defaulting within the near future, usually one year. A more ambitious, but also more demanding, approach is to allow the risk classification to reflect the borrower's ability to repay over an entire economic cycle. This approach, known as through-the-cycle, involves an assessment of the borrower's ability to repay during the worst phases of an economic cycle. This risk classification system will give different results, depending on which of these two different time horizons is used. In point-in-time assessments, the measured risk in a given portfolio will be significantly more sensitive to cyclical fluctuations in risk, rising in periods of economic downturn and falling in periods of upswing. If the assessments are made through the cycle, however, the measured risk in a portfolio should, in principle, only change if the long-term condition of one or more specific counterparties change(s) and there are reasons to change the original assessments. The choice of time horizon in the risk classification is highly dependent on the purpose for which the risk classification system is to be used.

The *through-the-cycle* approach is considered a suitable approach if the risk classification is to support a credit or investment decision. It is the goal of the established rating agencies, for example, that their credit ratings reflect credit risk through the cycle. SEK also uses this approach.

6.1.2.2 Internal rating scale

An internal risk classification system is a tool for improving the precision and consistency of credit assessments. By collecting historical data on counterparties' defaults and credit rating history (and thus creating a clear "institutional memory" within the organization), SEK is able to follow up on its credit assessments. This history assists SEK in revealing erroneous assessments and making the necessary corrections. Having awarded each counterparty an explicit (cardinal) default probability, the company can also check its own risk classification against external sources. SEK's internal ratings-based approach aims at assessing the credit risk of individual counterparties. SEK's methodology for internal risk classification is based on both qualitative and quantitative factors. Within SEK, risk classification is based, to a high degree, on analyst assessments.

Using different methods for analyzing corporates, regional governments and financial institutions, the individual counterparties are assigned credit ratings. The aim of using a common rating scale for all counterparties is simply to be able to correctly price and quantify risk over time for SEK's counterparties and, thereby, to maintain the desired risk level in the company. The tool used for this is the rating, which is an ordinal ranking system. Therefore the risk classification within SEK is to a great extent a question of relative assessments. The classification does not aim at estimating a precise probability of default, but rather seeks to place the counterparty within a category of comparable counterparties, from a risk perspective. It is currently common for financial institutions with internal ratings-based systems to set the probability of default (PD) values for their various risk classes, especially for "low default portfolios," by mapping their internal rating scale against the rating scale of a rating agency, and then using the external rating agency's default statistics for calculating the probability of default. Rating agencies, such as

Standard & Poor's, Fitch and Moody's, regularly publish statistics for default frequencies in their various rating classes. This type of technique is also considered at present to be best practice by the market. SEK maps its internal rating scale to Standard & Poor's rating scale and employs Standard & Poor's default statistics as a basis for its own calculations, with the aim of achieving consistent estimates of PD (within sufficient safety margins).

Table 6.1 summarizes the external rating agencies', coverage of the company's counterparties. For example, of the 600 counterparties that SEK has allocated an internal rating to, 248 counterparties have an external rating from Standard & Poor's.

TABLE 6.1: EXTERNAL RATING AGENCIES' COVERAGE OF SEK'S COUNTERPARTIES AS OF DECEMBER 31, 2010

SEK	S&P	Moody's	Fitch
600	248	271	207

SEK strives to refine its risk classification models by finding new relationships between various indicators and the probability of default (PD). In addition to contributing to improved precision in credit assessments, the internal ratings-based approach may de facto be used in the company's business activities. As the risk classification system standardizes and collects information which is otherwise spread throughout the organization, it can be used to report risk trends in the credit portfolio to Executive Management and the Board of Directors.

6.1.3 EXPOSURE CLASSIFICATION WITHIN SEK

All of SEK's exposures must be assigned to an exposure class. In order to secure maximum congruity between the different calculations that use exposure classes, the definitions that are used for the exposure classification must, as far as possible, be the same. The definitions to be used are laid out in the current capital adequacy regulations.

SEK's exposures are limited to central government exposures, financial institutions exposures, and corporate exposures, as well as securitization positions. Note that this classification refers to the IRB method. The standardized approach has a different set of exposure classifications. Responsibility for all exposure classifications within SEK is held by the credit analysis function, Credit Management.

6.1.4 SEK-SPECIFIC EXEMPTIONS

The Swedish Financial Supervisory Authority approved SEK's application to be allowed to use an IRB approach in February, 2007. SEK's permission to base its capital requirement for credit risk on the IRB approach covers the majority of the company's exposures. The Swedish Financial Supervisory Authority has granted SEK permission, as of December 31, 2012, to apply the standardized approach to the following exposures:

- Export credits guaranteed by the Swedish Export Credits Guarantee Board ("EKN") or corresponding foreign entities within the OECD.
- Exposures to governments.
- Exposures in the Customer Finance[1] business area.

6.1.5 RATING METHODOLOGY

6.1.5.1 Financial institutions

The two driving factors in SEK's internal credit risk assessment for financial institutions are business risk and financial risk. In brief, business risk is assessed on the basis of an analysis of the counterparty's business, market position and ownership, as well as the significance of legislation and regulations for its business activities.

The assessment of financial risk is focused on the financial strength of the counterparty and its ability to withstand financial burdens, as expressed in annual reports and other financial information. It is, however, not possible to set a rating solely on the basis of financial data, without also assessing business risk, i.e., each individual assessment is made up of a combination of quantitative and qualitative factors.

6.1.5.2 Corporates

In SEK's internal credit risk assessment for corporates, the two driving factors are also business risk and financial risk. In the same way as for financial institutions, the analyst is responsible for making a rating recommendation as the basis for the decision made by the Rating Committee.

6.1.5.3 Specialized lending

Within the exposure class corporate exposures, exposures that represent specialized lending are separately identified. For such exposures, SEK calculates risk weights based on "slotting." According to the Basel II regulations, there are five categories for corporate exposures that constitute specialized lending. Categories 1–4 represent non-defaulted exposures, and category 5 represents defaulted exposures. The breakdown among categories 1–4 is based on the increased risk levels for the exposures (where category 1 represents the lowest risk). All of SEK's exposures are currently attributable to category 1, (in other words, the category that represents the highest creditworthiness), and to category 4.

The majority of SEK's exposures that fall into the specialized lending category are guaranteed by governments within the OECD. This means that they are effectively transferred to another exposure class via credit-risk mitigation. After taking into account credit-risk mitigation and conversion factors, the total exposure amounted to Skr 611 million as of December 31, 2010.

TABLE 6.2: SPECIALIZED LENDING AS OF DECEMBER 31, 2010 (AND 2009)

Skr mn

Category	EAD*	
1	449	(503)
2	0	(0)
3	0	(0)
4	162	(181)
5	0	(0)
Total	**611**	**(684)**

* Exposure at Default, or "EAD", is calculated on the basis of the exposure amount after consideration has been given to conversion factors. The conversion factor describes that portion of an off-balance sheet commitment that for which capital is required under the regulations.

6.1.5.4 Securitization positions

In accordance with FFFS 2007:5, in calculating the risk-weighted exposure amount for securitized exposures, a company must describe both the purpose of the securitization transaction, and the role that the company has in the securitization process. In addition, information regarding the extent to which the company is engaged in each role, and information about the methods the company applies in the calculation of related risk-weighted exposure amounts in the securitization process must be reported.

SEK has not acted in the role of originator or participating institution in any of its securitization transactions and has only functioned as an investor. SEK uses the so-called external rating method for the calculation of risk-weighted amounts for securitization positions. This means that the risk weight is determined based on external credit valuation, with the starting point being the position's credit quality step in accordance with the rules regarding the use of external credit valuation. See table 6.3. SEK no longer invests in securitization positions.

[1] Customer Finance specializes in cross-border customer financing for capital equipment.

TABLE 6.3: SECURITIZATION POSITIONS, AFTER CREDIT-RISK MITIGATION, BY RISK WEIGHT, AS OF DECEMBER 31, 2010 (AND 2009)

	Risk Weight									
Skr mn	**6–10%**		**12–18%**		**20–35%**		**1 250%**		**Total exposure**	
Traditional securitizations	22,775	(31,893)	303	(0)	73	(86)	638	(683)	23,789	(32,662)
Synthetic securitizations	183	(1,272)	0	(0)	0	(0)	0	(0)	183	(1,272)
Total	**22,958**	**(33,165)**	**303**	**(0)**	**73**	**(86)**	**638**	**(683)**	**23,972**	**(33,934)**

Table 6.4 includes current aggregated information regarding SEK's total net exposures (after effects related to risk-mitigation) related to securitization positions held and their current rating. Ratings in the table as of December 31, 2010 are stated as the second lowest of the ratings from Standard & Poor's, Moody's and Fitch. When only two ratings are available the lowest is stated. All of these assets represent first-priority tranches, and they have all been rated 'AAA'/'Aaa' by Standard & Poor's or Moody's at acquisition.

TABLE 6.4: SECURITIZATION POSITIONS HELD AS OF DECEMBER 31, 2010

Net exposures after impairments, Skr mn

									... of which						
Exposure	**RMBS[3]**	**Credit cards**	**Auto Loans**	**CMBS[3]**	**Consumer Loans**	**CDO[3]**	**CLO[3]**	**Total**	**rated 'AAA'**	**rated 'AA+'**	**rated 'AA'**	**rated 'AA-'**	**rated 'A+'**	**rated 'A'**	**of which CDO rated 'CCC'**
Australia	4,620							4,620	4,620						
Belgium	765							765	765						
France			146					146	146						
Germany			388	73				461	461						
Ireland	999						41	1,040	484			212[2]	41[2]	303[2]	
Japan			9					9	9						
Netherlands	1,157						142	1,299	1,299						
Portugal	382							382	382						
Spain	1,096		120		154		306	1,676	1,027	347[2]	302[2]				
United Kingdom	9,216							9,216	9,216						
United States		450				163	3,270	3,883	2,717	1,003[2]					163[1]
Total 2010	**18,235**	**450**	**663**	**73**	**154**	**163**	**3,759**	**23,497**	**21,126**	**1,350**	**302**	**212**	**41**	**303**	**163**
Total 2009	23,703	1,501	1,980	86	376	330	5,605	33,582	30,708	1,780	475		289		330

[1] These assets consist of two CDOs (first-priority tranches) with end-exposure to the U.S market. There have been no delays with payments under the tranches. However, the ratings of the assets have been downgraded dramatically during 2008 and 2009, by Standard & Poor's from 'AAA' to 'CC', by Moody's from 'Aaa' to 'Ca' and by Fitch from 'AAA' to 'CCC'. Due to the dramatic rating downgrades, the company has analyzed the expected cash flows of the assets. Based on information presently known, the company has recorded a total impairment of Skr 475.4 million for these assets.

[2] Of these assets Skr 1,747.6 million still have the highest-possible rating from at least one of the rating institutions.

[3] RMBS = Residential Mortgage-Backed Securities
CMBS = Commercial Mortgage-Backed Securities
CDO = Collateralized Debt Obligations
CLO = Collateralized Loan Obligations

6.2 CALCULATION OF RISK-WEIGHTED ASSETS

6.2.1 CALCULATION OF RISK-WEIGHTED ASSETS IN ACCORDANCE WITH THE IRB APPROACH

The two expressions that together primarily quantify the credit risk of an exposure are the probability of default (PD) and the loss given default (LGD). Using these two parameters and the size of the outstanding exposure at default (EAD), it is possible to calculate the statistically expected loss (EL) for a given counterparty exposure (PD×LGD×EAD=EL). By using the so-called Basel formula, the amount of risk-weighted assets (RWA, f (PD, LGD, EAD)) is calculated. This estimate constitutes a measure of the Unexpected Loss (UL). The capital requirement refers ultimately to the risk of unexpected losses (UL), while expected losses (EL) should be able to be covered, in principle, by day-to-day revenues. That is, the risk weights should not reflect the normal loss level underlying the different exposures, but rather the risk of losses being unexpectedly large during a given period. Within the Foundation IRB model, only PD is estimated by SEK. The values of the other parameters are set by the supervisory authority. SEK follows the above described instructions for calculation of risk-weighted assets under the Foundation IRB approach.

CHART 6.1: DEFINITION OF EXPECTED LOSS

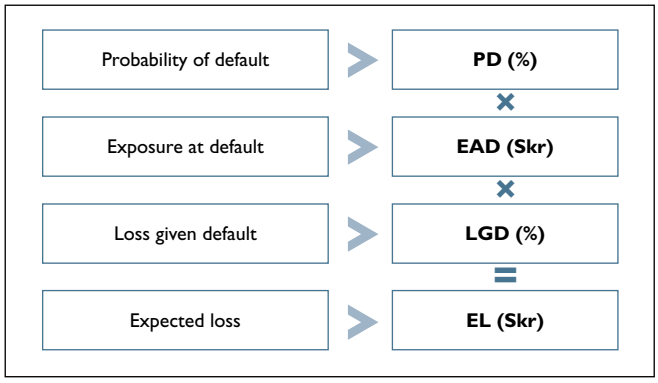


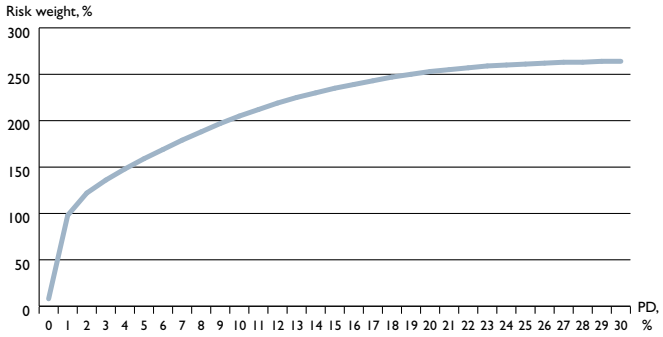
TABLE 6.5: RISK PARAMETERS

RISK PARAMETERS	FOUNDATION IRB APPROACH	ADVANCED IRB APPROACH
Probability of default (PD)	**Internal estimation**	**Internal estimation**
Exposure at default (EAD)	Conversion factors[1]	**Internal estimation**
Loss given default (LGD)	45%[1, 2]	**Internal estimation**
Maturity (M)	2.5 years[1, 2]	**Internal estimation**
Correlations	[1]	[1]

[1] Risk parameters established by the Swedish Financial Supervisory Authority.
[2] 45% and 2.5 years are normally applicable.

Chart 6.2 shows the connection between risk weight and PD for exposures to institutions and exposures to corporates.

CHART 6.2: RISK-WEIGHT FUNCTION



The table below shows SEK's credit exposures, risk-weighted assets (RWA) and average risk weights, as calculated using the Foundation IRB approach and the standardized approach. The average risk weight for SEK's credit portfolio is approximately 18 percent.

TABLE 6.6: CREDIT RISK CONVERTED EAD AND AVERAGE RISK WEIGHT AS OF DECEMBER 31, 2010 (AND 2009)

Skr bn	EAD		Risk-weighted assets		Average risk weight	
Standardized approach						
Central governments	15.5	(32.5)	0.8	(0.8)	5%	(2%)
Government export credit agencies	107.5	(104.9)	0.0	(0.0)	0%	(0%)
Regional governments	23.5	(23.6)	0.0	(0.0)	0%	(0%)
Multilateral development banks	0.4	(0.4)	0.0	(0.0)	0%	(0%)
Corporates	0.1	(0.0)	0.1	(0.0)	100%	(n.a)
Total standardized approach	**147.0**	**(161.4)**	**0.9**	**(0.8)**	**1%**	**(1%)**
IRB method						
Financial institutions	112.2	(135.8)	29.2	(33.6)	26%	(25%)
Securitization positions	25.4	(35.6)	4.3	(7.2)	18%	(21%)
Corporates	42.0	(37.8)	24.4	(21.5)	58%	(57%)
Non-credit-obligation assets	0.2	(0.1)	0.2	(0.1)	100%	(100%)
Total IRB method	**179.8**	**(209.3)**	**58.2**	**(62.4)**	**32%**	**(30%)**
Total	**326.8**	**(370.7)**	**59.1**	**(63.2)**	**18%**	**(17%)**

6.2.2 CALCULATION OF RISK-WEIGHTED ASSETS IN ACCORDANCE WITH THE STANDARDIZED APPROACH

Under the standardized approach, institutions also allocate their exposures among the prescribed exposure classes and assign the exposures those risk weights which have been assigned to each respective exposure class. In certain cases, risk weights may comply with external ratings. External credit assessments may be used to determine to which credit quality level an exposure corresponds. To determine this, financial institutions must utilize the correspondence tables between credit rating companies' different credit ratings and the steps in the credit quality scales that the Swedish Financial Supervisory Authority sets. SEK follows these instructions. The majority of the exposures for which SEK is granted permission to use the standardized approach can be attributed to the highest credit quality step, which corresponds to a risk weight of zero percent.

TABLE 6.7: CORRESPONDENCE TABLE

Credit quality step	Fitch	Moody's	S&P
1	'AAA'-'AA-'	'Aaa'-'Aa3'	'AAA'-'AA-'
2	'A+'-'A-'	'A1'-'A3'	'A+'-'A-'
3	'BBB+'-'BBB-'	'Baa1'-'Baa3'	'BBB+'-'BBB-'
4	'BB+'-'BB-'	'Ba1'-'Ba3'	'BB+'-'BB-'
5	'B+'-'B-'	'B1'-'B3'	'B+'-'B-'
6	'CCC+' and lower	'Caa1' and lower	'CCC+' and lower

TABLE 6.8: NET EXPOSURES UNDER THE STANDARDIZED APPROACH PER QUALITY STEP AS OF DECEMBER 31, 2010 (AND 2009)

Skr bn	1		2		3–6		Total	
Central governments	12.5	(29.8)	3.4	(2.9)	0.6	(0.9)	16.5	(33.6)
Government export credit agencies	123.8	(125.1)	0.0	(0.0)	0.0	(0.0)	123.8	(125.1)
Regional governments	22.3	(24.0)	1.4	(0.0)	0.0	(0.0)	23.7	(24.0)
Multilateral development banks	0.4	(0.4)	0.0	(0.0)	0.0	(0.0)	0.4	(0.4)
Corporates	0.0	(0.0)	0.0	(0.0)	0.1	(0.0)	0.1	(0.0)
Total	**159.0**	**(179.3)**	**4.8**	**(2.9)**	**0.7**	**(0.9)**	**164.5**	**(183.1)**

6.3 LIMITS, CREDIT RISK REPORTING AND RISK MEASUREMENT SYSTEMS

The purpose of SEK's limit system is to control and limit credit exposures to individual counterparties as well as to credit concentrations. Assigned limits and risk classifications must be revised at least on an annual basis so that they correspond to changes in counterparties' credit profiles. SEK's Credit Management function is responsible for credit reviews. The purpose with the credit review is to ensure that the assigned risk classification reflects the actual risk of the counterparty. It is also intended to identify, at an early stage, counterparties and credit exposures with increased risks of loss. The exposures classified as problem credits[1] are reviewed frequently. The limits for these credits are also blocked[2]. The Board of Directors represents the highest level of decision-making with regard to credit risk limits. The Board has delegated to the Board's Credit Committee its mandate to make credit decisions, with the exception of decisions that are matters of principle.

Calculation of the amount that determines which decision-making body establishes which limits is made based on the formula for calculating the capital requirement under Pillar 1 of the Basel II rules. This takes into consideration the probability of default (PD) of the counterparty, the size of exposure at default (EAD), and the assessed degree of loss given default (LGD), as well as the maturity of the exposure. In this calculation, only the counterparty's risk classification and the maximum exposure amount (EAD) are based on actual data. The degree of loss given default and the maturity of the exposure are determined as set out in the applicable Swedish regulations (normally at 45 percent and 2.5 years, respectively). These conditions do generally reflect those

[1] An exposure (receivable) to a risk counterparty that SEK considers to have a high probability of not fulfilling all its commitments on time, according to the original contract terms.
[2] A blocked limit means that no new deals will be concluded with the relevant counterparty.

in SEK's existing portfolio, which makes it reasonable to use the basic formula for the calculation.

The Board of Directors and the committees responsible for risk monitoring aim to have a good understanding of the function of the internal ratings-based approach, as well as a good understanding of the content of the reports from the risk classification system that they receive. The President and the Head of Risk inform the Board about all significant changes to, or exceptions from, instructions that govern the design and use of SEK's IRB system.

The company's Asset and Liability Committee receives regular information from the independent Risk Control function. This information includes conclusions from the validation process, identification of areas that are in need of improvement, and reports on the progress of work on previously decided improvement measures.

The company's risk and product classification and risk estimates form a central part of the regular reporting of credit risks to the Board of Directors, Asset and Liability Committee and Credit Committee. Risk Control and the credit analysis function, Credit Management, are responsible for different parts of this reporting. The reporting includes information on the distribution of counterparties and exposures by risk classes, risk estimates for each product and risk class, and migration between risk classes. It also contains information about, and results of, the stress tests that are applied. In addition, the reporting also includes the company's use of credit-risk protection, as well as the development of positions in securitizations.

6.3.1 VALIDATION PROCESS

A basic requirement for using an IRB system is that the company has a continual and well-functioning process for validation of all parts of the system. The validation process must comprise a consistent and appropriate analysis of whether the risk classification system measures risk in a satisfactory way. Validation must take place regularly, and at least once a year. SEK's independent Risk Control function is responsible for this process. Risk Control continually works at developing and improving its validation methods, in accordance with changes in best practice in the industry.

SEK's validation process has focused on a number of key areas:

1. Ensuring that SEK's default definition (PD) is in agreement with the IRB regulations' definition (the Basel definition) and that this definition also agrees with Standard & Poor's definition.
2. Comparison of SEK's internal risk classification method and internal risk classification criteria with Standard & Poor's rating method and rating criteria.
3. Ensuring that Standard & Poor's rating statistics and identification of defaulting companies can be used as a reference portfolio in SEK's mapping procedure. SEK's intention is to continue to use Standard & Poor's default statistics as a basis for internal forward-looking PD estimates.
4. Comparing the result of SEK's internal risk classification with, primarily, Standard & Poor's ratings, but also with other external rating institutions' credit ratings, i.e., performing an outcome analysis.
5. Evaluating how well the IRB system has succeeded in being integrated into SEK's management and decision-making processes, taking into account SEK's specific mission and nature.

The validation process aims to ensure that, among other things, (i) the assumptions and methods for the classification models are appropriate, (ii) the risk classification process is used in a uniform way within the company's various business areas, (iii) the system identifies exposures and counterparties with differing credit risks, and (iv) the system generates reliable and precise estimates of the risk parameters that the company uses.

When assessing whether the classification system is consistent, the principles for the choice of classification models and explanatory factors must be stated. It must also be possible to prove that the principles are still relevant. The Credit Management function is responsible for this.

The IRB Use Test

An important criterion for the qualitative validation of the IRB system is the actual application of each rating result in SEK's risk and business processes. This type of qualitative validation aims at assessing how well different internal management processes and routines work, and can be described as a process-oriented validation. In order to receive permission to employ an IRB system for calculation of capital requirements a company must, according to the regulations, satisfy a "use test". SEK's internal product and risk classification and its estimate of risk parameters form an integrated part of SEK's corporate governance, credit process, risk management and internal allocation of capital. Estimates are well rooted in, and accepted by, the business organization.

SEK carries out a product and risk classification of each new counterparty before a credit decision is made. The individuals and decision forums that are responsible for credit decisions are aware of a counterparty's or exposure's rating. SEK generally applies the same values to risk parameters in its business processes as in the calculation of capital requirements. The company has documented the few cases where it uses different values in its business processes and in the calculation of the capital requirement. It is primarily in the company's pricing model and its internal capital adequacy assessment process that adjusted values are used.

6.3.2 INFORMATION ABOUT MIGRATION BETWEEN RISK CLASSES

The tables below show the rating distribution as of December 31, 2010 for counterparties for which SEK applies the IRB method, based on rating levels as of December 31, 2009.

TABLE 6.9: MIGRATION MATRIX 2010

The table should be read row by row. The first row shows the rating breakdown as of December 31, 2010 for those counterparties that as of December 31, 2009 were rated 'AAA'. The second row displays the rating breakdown by as of December 31, 2010 for those counterparties that as of December 31, 2009 were rated 'AA+', and so on. The shaded diagonal area accordingly displays the shares of counterparties for which the ratings were unchanged as of December 31, 2010, compared with December 31, 2009.

	2010																		
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC/C	D	Summa
AAA	97%		3%																100%
AA+		60%	31%	3%	5%														100%
AA			84%	11%		5%													100%
AA-	3%		3%	82%	8%	3%		3%											100%
A+					79%	18%	3%												100%
A			2%		10%	81%	4%	2%											100%
A-							88%	12%											100%
BBB+							4%	86%	9%		2%								100%
BBB									88%	12%									100%
BBB-								3%	38%	46%	13%								100%
BB+									6%	24%	53%	18%							100%
BB											22%	78%							100%
BB-												10%	80%	10%					100%
B+													50%	50%					100%
B															50%	50%			100%
B-																100%			100%
CCC																75%	25%		100%
D																		100%	100%

Charts 6.3-6.5 below show, in absolute figures and in percentage terms, the upgrades and downgrades per risk class and also the number of counterparties whose risk class (rating) changed during 2010.

CHART 6.3: NUMBER OF MIGRATED COUNTERPARTIES WHOSE RISK CLASS CHANGED DURING 2010

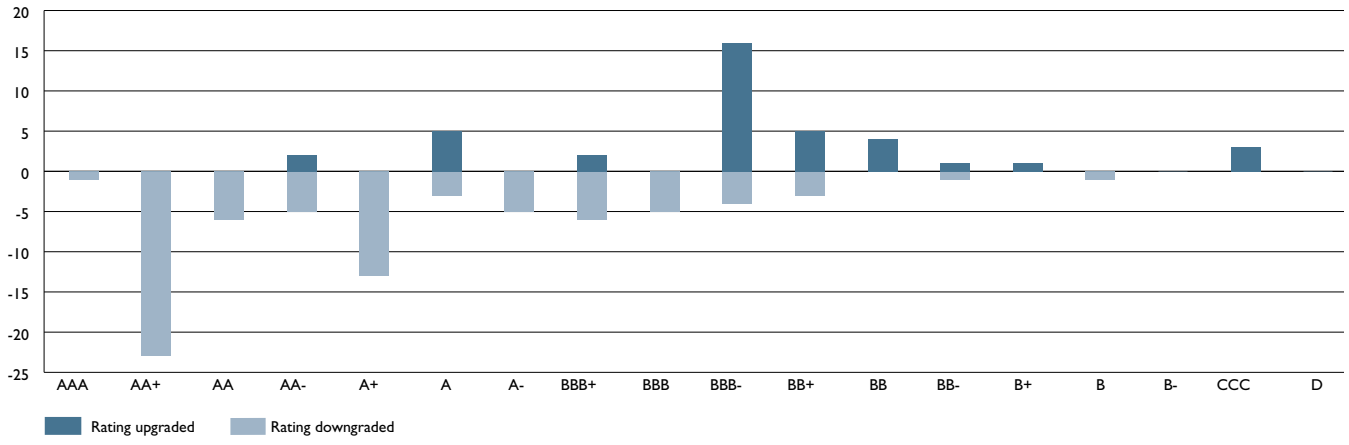


CHART 6.4: PERCENTAGE OF COUNTERPARTIES WHOSE RISK CLASS IN THE RESPECTIVE RATING CLASS CHANGED DURING 2010

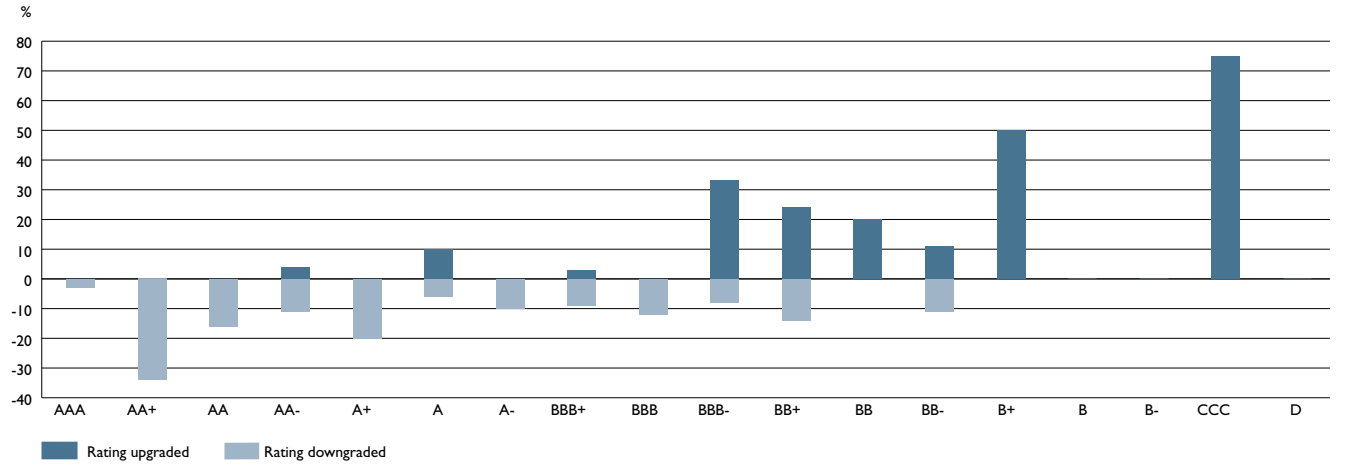
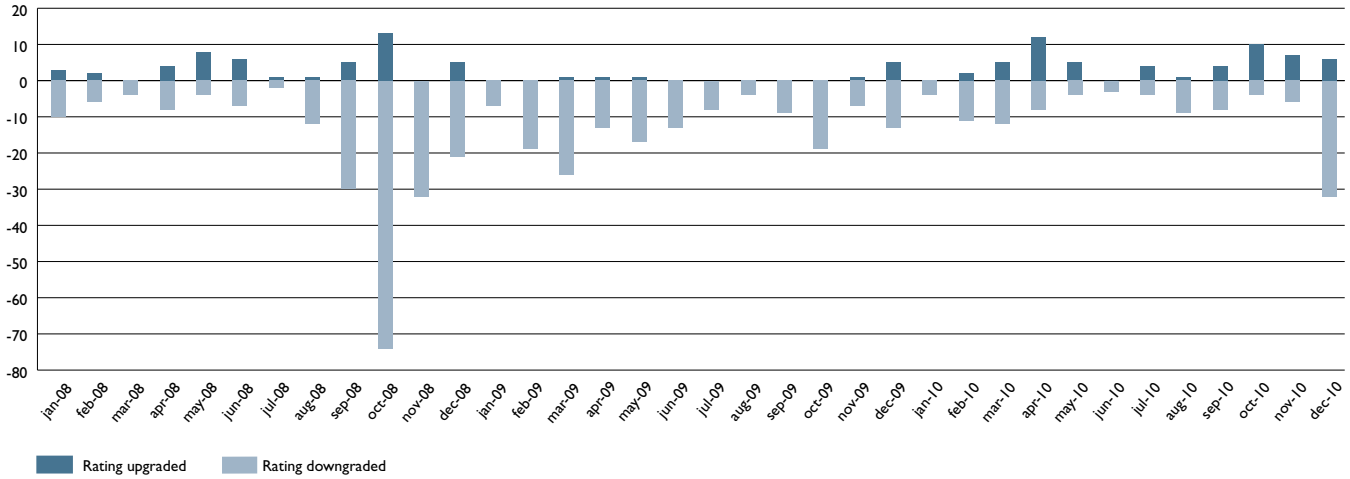


CHART 6.5: NUMBER OF COUNTERPARTIES WHOSE RISK CLASS CHANGED DURING 2008–2010 (PER MONTH)

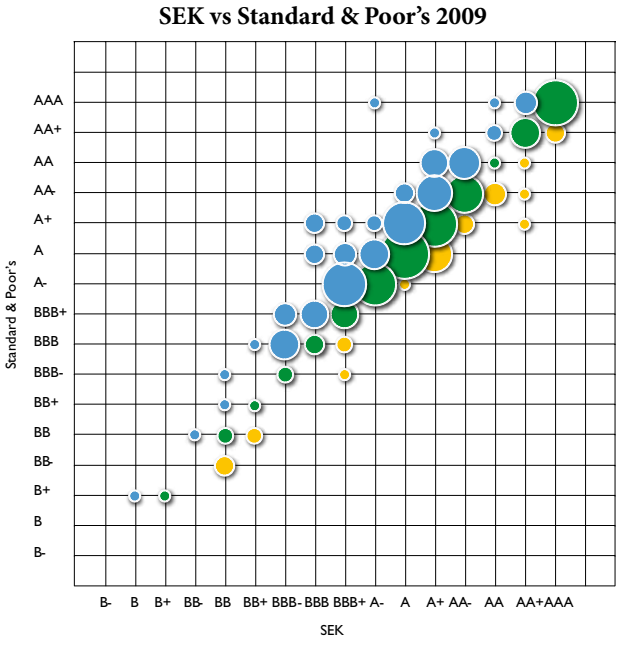


6.3.3 INFORMATION ABOUT THE CORRELATION BETWEEN INTERNAL AND EXTERNAL RATINGS

The charts below display a summary of SEK's outcome analysis showing the correlation between ratings assigned by SEK's internal ratings-based approach and Standard & Poor's, Fitch's and Moody's credit ratings. The purpose of these is to illustrate how SEK's risk classification relates to those of the rating agencies. The fact that there are differences may be an expression of the differences in analytical assessment as well as the point in time of the assessments.

Every circle represents a rating pair (for example, SEK: "BBB", Standard & Poor's: "BBB+") and the size of the circle reflects the number of counterparties that have been allocated this rating pair. The yellow points indicate where SEK's risk classification is higher than the external ratings, while blue points report observations where SEK's risk classifications are lower. The green color indicates where the risk classification for SEK and the external credit rating agencies is the same. The charts show an increasing number of circles as well as increasing diameters from 2009 to 2010, which is in line with an increase in the size of the population.

CHART 6.6: CORRELATION BETWEEN SEK'S INTERNAL RATINGS-BASED APPROACH AND STANDARD & POOR'S AT THE END OF 2009 AND 2010, RESPECTIVELY



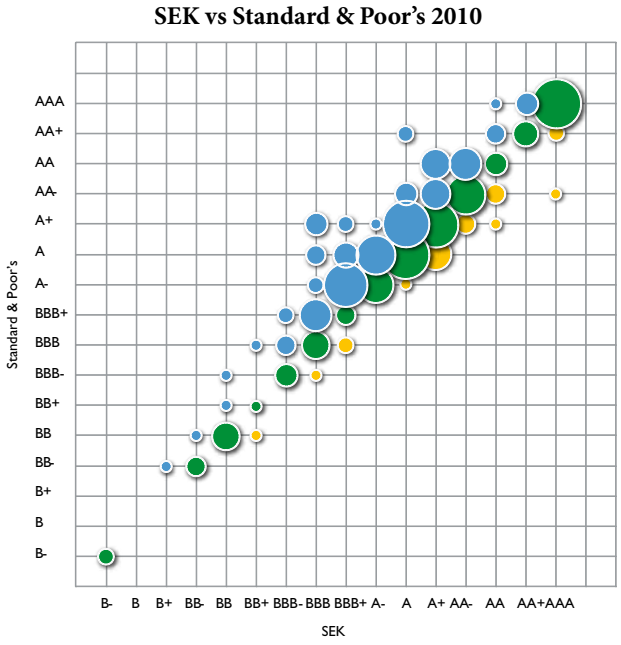


CHART 6.7: CORRELATION BETWEEN SEK'S INTERNAL RATINGS-BASED APPROACH AND MOODY'S AT THE END OF 2009 AND 2010, RESPECTIVELY

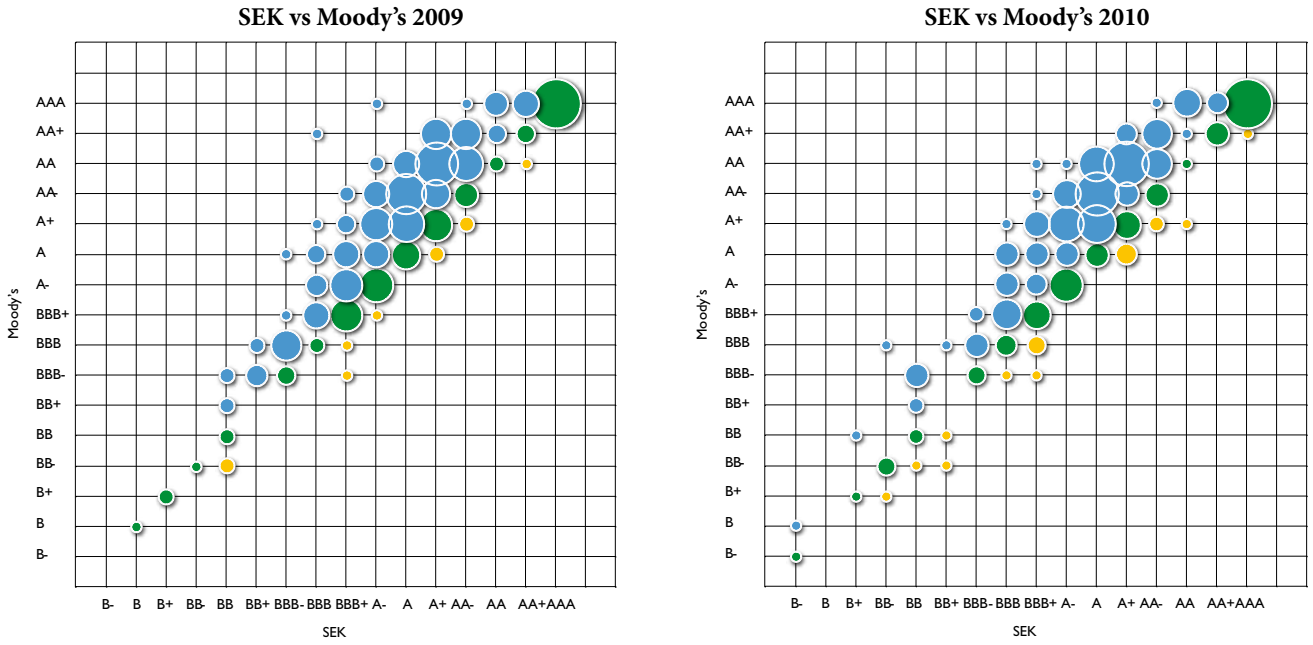
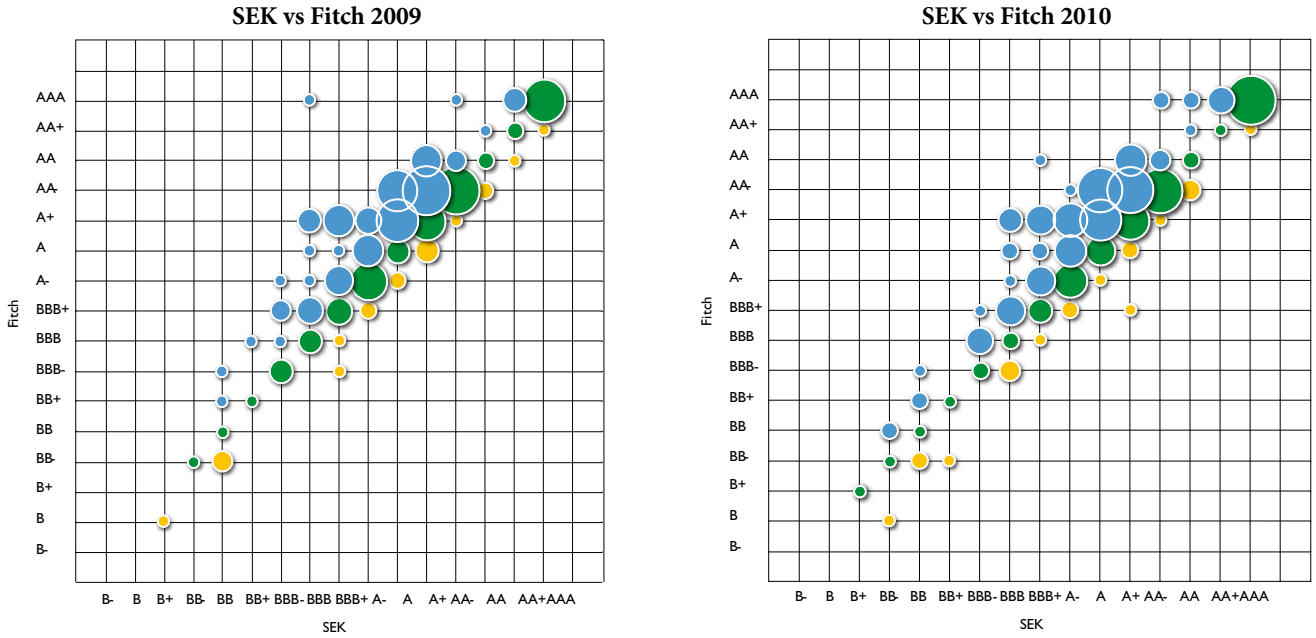


CHART 6.8: CORRELATION BETWEEN SEK'S INTERNAL RATINGS-BASED APPROACH AND FITCH'S AT THE END OF 2009 AND 2010, RESPECTIVELY



6.4 INFORMATION ABOUT THE CREDIT PORTFOLIO

The table below shows a breakdown, by exposure class, of SEK's total exposures related to interest-bearing securities, outstanding lending and committed undisbursed credits (including guarantees and credit default swaps), as well as derivatives.

TABLE 6.10: TOTAL EXPOSURES AS OF DECEMBER 31, 2010 (AND 2009)

Skr bn	Total				Credits & interest-bearing securities				Undisbursed credits, derivatives			
Classified by exposure class	Amount		%		Amount		%		Amount		%	
Central Governments [1]	113.2	(125.6)	33	(32)	80.4	(86.4)	27	(26)	32.8	(39.2)	64	(64)
Regional governments	23.7	(24.0)	7	(6)	23.2	(23.2)	8	(7)	0.5	(0.8)	1	(1)
Government export credit agencies	27.5	(33.5)	8	(8)	25.5	(30.0)	9	(9)	2.0	(3.5)	4	(6)
Financial institutions	114.1	(137.9)	33	(35)	101.6	(123.3)	35	(37)	12.5	(14.6)	24	(24)
Securitization positions	24.0	(33.9)	7	(9)	24.0	(33.9)	8	(10)	0.0	(0.0)	0	(0)
Corporates	43.3	(38.7)	12	(10)	39.7	(35.3)	13	(11)	3.6	(3.4)	7	(5)
Total	**345.8**	**(393.6)**	**100**	**(100)**	**294.4**	**(332.1)**	**100**	**(100)**	**51.4**	**(61.5)**	**100**	**(100)**

[1] Includes exposures to the Swedish Export Credits Guarantee Board (EKN)

The following applies to all the tables presented in this Section 6.4:

- The amount for gross exposure is reported before credit-risk protection (guarantees and credit derivatives) while net exposures are reported after guarantees and credit derivatives.
- Exposure amounts (gross and net amounts) are reported on the basis of volumes without regard to conversion factors. The conversion factor describes that portion of an off-balance sheet commitment that must be covered by capital according to the regulations.

6.4.1 EXPOSURES BY EXPOSURE CLASS

Table 6.11 shows the allocation of credit exposures to different exposure classes. The table illustrates that exposures to central governments and government export credit agencies correspond to approximately 41 percent (2009: 40 percent) of SEK's total net exposures.

TABLE 6.11: CREDIT-RISK EXPOSURES

Skr bn	Gross exposure, December 31, 2010		Share		Average gross exposure 2010 [1]		Net exposure December 31, 2010		Share		Average net exposure 2010 [1]	
Central governments	20.4	(37.7)	6%	(10%)	29.2	(23.0)	16.5	(33.6)	5%	(8%)	24.8	(23.9)
Government export credit agencies	0.0	(0.0)	0%	(0%)	0.0	(0.0)	123.8	(125.1)	36%	(32%)	132.1	(87.3)
Regional governments	14.5	(13.2)	4%	(3%)	14.0	(11.9)	23.7	(24.0)	7%	(6%)	23.8	(23.0)
Multilateral development banks	0.0	(0.0)	0%	(0%)	0.0	(0.1)	0.4	(0.4)	0%	(0%)	0.4	(0.5)
Financial institutions	98.8	(118.5)	29%	(30%)	111.4	(132.5)	114.1	(137.9)	33%	(35%)	129.5	(147.4)
Corporates	186.7	(188.6)	54%	(48%)	194.7	(150.9)	43.3	(38.7)	12%	(10%)	40.3	(38.1)
Securitization positions	25.4	(35.6)	7%	(9%)	30.1	(40.2)	24.0	(33.9)	7%	(9%)	28.5	(38.4)
Total	**345.8**	**(393.6)**	**100%**	**(100%)**	**379.4**	**(358.7)**	**345.8**	**(393.6)**	**100%**	**(100%)**	**379.4**	**(358.7)**

[1] The average exposure figures are calculated on a monthly basis.

6.4.2 EXPOSURES BY RISK CLASS

Charts 6.9 and table 6.12 show the net exposures to financial institutions and corporates by risk class (rating) and the probability of default (PD) as of December 31, 2010. The capital requirement calculations for exposures in these risk classes are based on the stated PD estimates based on the IRB approach, as shown in table 6.12. For other exposure classes, the capital requirement calculations are established by the supervisory authority (standardized approach).

Note that the PD estimates shown in table 6.12 are the company's internal estimates. Regulation FFFS 2007:1 stipulates that for exposures to institutions and corporate exposures, the PD must be at least 0.03 percent (the "floor rule"). SEK uses this floor rule in connection with its formal capital requirement calculations.

CHART 6.9: NET EXPOSURES BY RISK CLASS

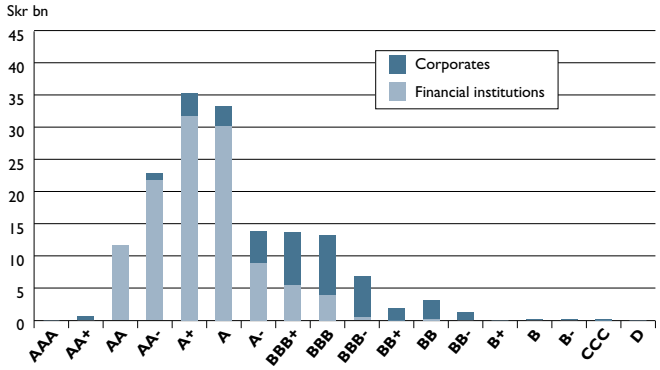


TABLE 6.12: NET EXPOSURES BY RATING AND PD AS OF DECEMBER 31, 2010 (AND 2009)

Skr bn

Rating	PD		Financial institutions		Corporates	
AAA	0.02%	(0.02%)	0.0	(1.1)	0.0	(0.0)
AA+	0.02%	(0.02%)	0.0	(1.1)	0.6	(0.6)
AA	0.04%	(0.04%)	11.6	(15.1)	0.0	(0.0)
AA-	0.05%	(0.05%)	21.7	(29.8)	1.1	(1.3)
A+	0.07%	(0.07%)	31.7	(31.4)	3.5	(2.5)
A	0.10%	(0.10%)	30.2	(40.7)	3.0	(2.0)
A-	0.15%	(0.15%)	8.9	(9.0)	4.9	(4.8)
BBB+	0.21%	(0.21%)	5.5	(6.0)	8.1	(9.9)
BBB	0.31%	(0.31%)	3.9	(2.7)	9.3	(4.6)
BBB-	0.44%	(0.44%)	0.4	(0.1)	6.4	(8.3)
BB+	0.86%	(0.86%)	0.0	(0.4)	1.9	(2.2)
BB	1.27%	(1.27%)	0.2	(0.0)	2.8	(1.7)
BB-	2.12%	(2.12%)	0.0	(0.0)	1.2	(0.3)
B+	3.39%	(3.39%)	0.0	(0.0)	0.0	(0.0)
B	9.22%	(9.22%)	0.0	(0.0)	0.1	(0.0)
B-	13.66%	(13.66%)	0.0	(0.0)	0.1	(0.0)
CCC	30.95%	(30.95%)	0.0	(0.0)	0.2	(0.3)
D	100%	(100%)	0.0	(0.5)	0.0	(0.0)
Total			**114.1**	**(137.9)**	**43.2**	**(38.5)**

6.4.3 EXPOSURES BY REGION

Tables 6.13 and 6.14 illustrate SEK's gross and net exposures as of December 31, 2010 (and 2009) by geography.

TABLE 6.13: GROSS EXPOSURE BY REGION AND EXPOSURE CLASS

Skr bn	Africa		Asia		North America		Oceania		South America		Sweden		Other Nordic countries		Other European countries		Total	
Central governments	0.0	(0.0)	7.8	(7.9)	0.0	(0.0)	0.0	(0.0)	0.3	(0.4)	2.1	(3.2)	3.6	(13.8)	6.6	(12.4)	20.4	(37.7)
Government export credit agencies	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)
Regional governments	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	12.9	(10.7)	1.6	(2.5)	0.0	(0.0)	14.5	(13.2)
Multilateral development banks	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)
Financial institutions	0.6	(0.0)	0.9	(2.1)	11.7	(16.1)	5.5	(4.9)	0.0	(0.3)	31.8	(36.0)	12.2	(7.3)	36.1	(51.8)	98.8	(118.5)
Corporates	2.2	(2.2)	26.7	(29.2)	20.5	(23.0)	0.9	(1.1)	3.9	(3.2)	68.2	(62.6)	17.6	(20.2)	46.7	(47.1)	186.7	(188.6)
Securitization positions	0.0	(0.0)	0.0	(0.0)	4.3	(4.9)	4.6	(6.1)	0.0	(0.0)	0.0	(0.0)	0.0	(0.4)	16.5	(24.2)	25.4	(35.6)
Total	**2.8**	**(2.2)**	**35.4**	**(39.2)**	**36.5**	**(44.0)**	**11.0**	**(12.1)**	**4.2**	**(3.9)**	**115.0**	**(112.5)**	**35.0**	**(44.2)**	**105.9**	**(133.5)**	**345.8**	**(393.6)**

TABLE 6.14: NET EXPOSURE BY REGION AND EXPOSURE CLASS

Skr bn	Africa		Asia		North America		Oceania		South America		Sweden		Other Nordic countries		Other European countries		Total	
IRB method																		
Financial institutions	0.0	(0.0)	0.7	(0.6)	17.5	(24.3)	5.5	(4.9)	0.0	(0.0)	29.0	(34.3)	13.0	(8.3)	48.4	(65.5)	114.1	(137.9)
Corporates	0.0	(0.0)	0.6	(0.8)	1.4	(0.8)	0.0	(0.0)	0.0	(0.0)	28.9	(23.6)	7.3	(8.0)	5.0	(5.5)	43.2	(38.7)
Securitization positions	0.0	(0.0)	0.0	(0.0)	4.4	(4.9)	4.6	(6.1)	0.0	(0.0)	0.0	(0.0)	0.0	(0.4)	15.0	(22.5)	24.0	(33.9)
Standardized approach																		
Central governments	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	2.9	(3.2)	3.6	(14.1)	10.0	(16.3)	16.5	(33.6)
Government export credit agencies	0.0	(0.0)	0.0	(0.0)	8.4	(10.0)	0.0	(0.0)	0.0	(0.0)	96.2	(91.5)	1.5	(1.8)	17.7	(21.8)	123.8	(125.1)
Regional governments	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	21.8	(21.1)	1.9	(2.9)	0.0	(0.0)	23.7	(24.0)
Multilateral development banks	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.4	(0.4)	0.4	(0.4)
Corporates	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.1	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.1	(0.0)
Total	**0.0**	**(0.0)**	**1.3**	**(1.4)**	**31.7**	**(40.0)**	**10.1**	**(11.0)**	**0.1**	**(0.0)**	**178.8**	**(173.7)**	**27.3**	**(35.5)**	**96.5**	**(132.0)**	**345.8**	**(393.6)**

TABLE 6.15: NET EXPOSURE BY OTHER EUROPEAN COUNTRIES

Table 6.15 illustrates SEK 's net exposures as of December 31, 2010 (and 2009) by other European countries.

Skr bn	Total	
Great Britain	32.0	(36.3)
France	15.9	(22.6)
Germany	13.8	(25.3)
The Netherlands	9.0	(8.6)
Belgium	8.2	(4.6)
Ireland	3.7	(6.4)
Spain	3.5	(11.6)
Poland	3.1	(3.6)
Switzerland	2.7	(4.5)
Italy	1.7	(4.6)
Portugal	0.9	(1.1)
Other countries	2.0	(2.8)
	96.5	**(132.0)**

6.4.4 EXPOSURES BY REMAINING MATURITY

Table 6.16 and 6.17 below show SEK's exposures in maturity buckets, both gross and net, as of December 31, 2010 (and 2009). The average maturity for SEK's exposures was 3.6 years as of December 31, 2010.

TABLE 6.16: GROSS EXPOSURE BY MATURITY AND EXPOSURE CLASS

Skr bn	M ≤ 1 year		1 year < M ≤ 3 years		3 years < M ≤ 5 years		M > 5 years		Total	
Central governments	9.8	(25.9)	1.9	(1.9)	1.4	(1.2)	7.3	(8.7)	20.4	(37.7)
Government export credit agencies	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)
Regional governments	10.2	(7.1)	2.5	(3.3)	1.3	(1.5)	0.5	(1.3)	14.5	(13.2)
Multilateral development banks	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)
Financial institutions	65.6	(66.6)	18.9	(32.5)	3.1	(2.7)	11.2	(16.7)	98.8	(118.5)
Corporates	25.9	(22.5)	42.9	(43.2)	44.9	(41.0)	73.0	(81.9)	186.7	(186.6)
Securitization positions	7.0	(2.9)	8.9	(18.1)	3.9	(6.1)	5.6	(8.5)	25.4	(35.6)
Total	**118.5**	**(125.0)**	**75.1**	**(99.0)**	**54.6**	**(52.5)**	**97.6**	**(117.1)**	**345.8**	**(393.6)**

TABLE 6.17: NET EXPOSURE BY MATURITY AND EXPOSURE CLASS

Skr bn	M ≤ 1 year		1 year < M ≤ 3 years		3 years < M ≤ 5 years		M > 5 years		Total	
IRB method										
Financial institutions	70.8	(68.4)	26.2	(43.9)	8.1	(10.1)	9.0	(15.5)	114.1	(137.9)
Corporates	8.0	(7.5)	12.2	(10.0)	7.5	(8.8)	15.5	(12.4)	43.2	(38.7)
Securitization positions	7.1	(2.9)	8.9	(18.2)	3.9	(6.0)	4.1	(6.8)	24.0	(33.9)
Standardized approach										
Central governments	9.7	(26.8)	1.2	(1.6)	1.5	(0.8)	4.2	(4.4)	16.5	(33.6)
Government export credit agencies	11.2	(10.3)	23.1	(20.2)	31.5	(24.5)	58.0	(70.1)	123.8	(125.1)
Regional governments	11.4	(8.9)	3.5	(4.9)	2.1	(2.3)	6.7	(7.9)	23.7	(24.0)
Multilateral development banks	0.4	(0.2)	0.0	(0.2)	0.0	(0.0)	0.0	(0.0)	0.4	(0.4)
Corporates	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.1	(0.0)
Total	**118.6**	**(125.0)**	**75.1**	**(99.0)**	**54.6**	**(52.5)**	**97.5**	**(117.1)**	**345.8**	**(393.6)**

6.4.5 EXPOSURES BY INDUSTRY

Table 6.18 below summarizes the distribution of SEK's exposures to corporates by industry as of December 31, 2010 (and 2009).

TABLE 6.18: EXPOSURE BY INDUSTRY (GICS)

Skr bn	Gross exposure		Net exposure	
Utilities	13.4	(13.5)	6.4	(5.2)
Energy	1.9	(2.2)	0.7	(0.8)
Financials	26.4	(28.9)	2.7	(2.7)
Health care	5.7	(6.2)	1.0	(1.4)
Industrials	31.5	(30.5)	12.9	(14.2)
IT and telecom	64.7	(70.1)	6.2	(5.6)
Consumer goods	14.7	(12.6)	5.3	(2.7)
Materials	27.4	(24.0)	8.1	(6.1)
Other	1.0	(0.6)	0.0	(0.0)
Total	**186.7**	**(188.6)**	**43.3**	**(38.7)**

6.4.6 NUMBER OF EXPOSURES BY INDUSTRY AND RISK CLASS

Table 6.19 describes SEK's credit portfolio by industry and internal rating. The values in the table, which are grouped by risk class, show the number of counterparties that are in each industry. (Note that this industry allocation is more detailed than the allocation that is reported in table 6.18 and that all exposure classes have been included.)

TABLE 6.19: NUMBER OF EXPOSURES BY INDUSTRY AND RISK CLASS

Distribution of ratings by Industry (GICS) As of December 31, 2010	AAA	AA+' through 'AA-'	A+' through 'A-'	BBB+' through 'BBB-'	Below investment grade
Consumer Goods	0	0	5	10	11
Auto Parts & Equipment	0	0	1	4	0
Brewers	0	0	0	2	0
Consumer Electronics	0	0	0	1	0
Food Distributors	0	0	0	0	5
House Improvement Retail	0	0	1	1	0
Household Appliances	0	0	0	1	0
Household Products	0	0	0	0	1
Tobacco	0	0	0	0	1
Agricultural Products	0	0	0	0	1
Department Stores	0	0	0	0	1
Distributors	0	0	0	1	0
Home Furnishings	0	0	3	0	1
Publishing	0	0	0	0	1
Energy	0	0	0	2	0
Coal & Consumable Fuels	0	0	0	1	0
Oil & Gas Refining & Marketing	0	0	0	1	0
Financials	19	60	140	70	13
Asset Management & Custody Banks	0	2	5	4	0
Consumer Finance	0	1	0	2	0
Diversified Banks	5	24	69	16	2
Diversified Capital Markets	0	1	9	2	0
Investment Banking & Brokerage	0	4	24	21	8
Multi-Sector Holdings	0	0	2	0	0
Other Diversified Financial Services	1	1	11	12	2
Property & Casualty Insurance	1	0	0	0	0
Regional Banks	1	4	8	6	0
Specialized Finance	10[1]	8[2]	4[3]	6	1
Thrifts & Mortgage Finance	0	1	7	1	0
Diversified Real Estate Activities	1	13	0	0	0
Real Estate Development	0	1	0	0	0
Real Estate Services	0	0	1	0	0
Health Care	0	1	1	5	2
Biotechnology	0	0	0	0	1
Health Care Distributors	0	1	0	0	0
Health Care Equipment	0	0	0	3	0
Health Care Facilities	0	0	0	2	0
Pharmaceuticals	0	0	1	0	1
Industrials	1	0	11	18	13
Aerospace & Defense	0	0	0	0	1
Air Freight & Logistics	0	0	0	0	1
Building Products	0	0	0	1	0
Construction & Engineering	0	0	0	3	5
Construction & Farm Machinery & Heavy Trucks	0	0	0	5	0
Environmental & Facilities Services	0	0	0	0	1
Heavy Electrical Equipment	0	0	3	0	0
Highways & Railtracks	0	0	2	0	0
Industrial Conglomerates	0	0	3	1	1
Industrial Machinery	0	0	3	4	2
Marine	0	0	0	1	0
Railroads	1	0	0	2	0
Security & Alarm Services	0	0	0	1	0
Trucking	0	0	0	0	1
Airlines	0	0	0	0	1
IT and Telecom	0	0	7	40	6
Communications Equipment	0	0	0	8	1
Electronic Equipment & Instruments	0	0	0	5	1
Integrated Telecommunication Services	0	0	4	14	2
Wireless Telecommunication Services	0	0	1	13	2
Electronic Manufacturing Services	0	0	1	0	0
Technology Distributors	0	0	1	0	0
Materials	0	0	1	6	21
Commodity Chemicals	0	0	0	0	2
Construction Materials	0	0	0	0	3
Diversified Metals & Mining	0	0	0	1	3
Forest Products	0	0	1	1	3
Paper Packaging	0	0	0	0	3
Paper Products	0	0	0	2	6
Steel	0	0	0	2	1
Sovereign and Municipalities	18	66	6	11	8
Regional/Local Government	4	59	1	2	2
Sovereign	14	7	5	9	6
Utilities	0	11	10	2	5
Electric Utilities	0	10	9	1	4
Gas Utilities	0	0	1	0	0
Independent Power Producers & Energy Traders	0	0	0	1	1
Multi-Utilities	0	1	0	0	0

[1] of which 6 are government export credit agencies
[2] of which 2 are government export credit agencies
[3] of which 1 is a government export credit agency

6.5 COMPARISON BETWEEN EXPECTED LOSS AND ACTUAL LOSSES (IRB)

SEK's estimated expected loss amount (EL), for non-defaulted exposures, as of December 31, 2010 totaled Skr 143 million, of which Skr 97 million was attributable to the corporates exposure class and Skr 46 million was attributable to the financial institutions exposure class. The company basically has a low default portfolio, which is why this amount does not constitute a reliable indicator of the company's actual credit losses for 2011.

The table below provides a comparison for 2008, 2009 and 2010, between the expected loss amount for non-defaulted exposures at the start of each year and the actual losses attributable to internally risk-classified exposures[1] that defaulted during that year. In this context, actual loss is defined as either the write-down or the realized loan loss, at the end of the year the exposure defaulted.

Only two defaults occurred in the exposure classes corporate exposures and exposures to institutions during the years 2008–2010. The sum of the actual losses for these defaults totaled Skr 420 million, which can be compared with the sum of the expected loss amounts for these three years which totaled Skr 312 million. As the number of defaults for the period is small, it is not possible to draw any significant conclusions based on this in regard to the accuracy of the PD estimates.

TABLE 6.20: COMPARISON BETWEEN EXPECTED LOSS AND ACTUAL LOSSES (IRB)

Skr mn	Corporates	Financial institutions	Total
2008			
Expected loss amount	37	25	62
Actual loss	0	389	389
2009			
Expected loss amount	64	46	110
Actual loss	31	0	31
2010			
Expected loss amount	89	51	140
Actual loss	0	0	0

The Basel II regulations have in many respects been written with a focus on portfolios with high or average expected probabilities of default. For such portfolios, statistical tests are applicable and significant. Despite SEK having access to statistics regarding defaults over a long period of time, it is not possible for SEK to apply traditional statistical tests in a meaningful manner. This is because the number of defaults in SEK's portfolio, consisting mainly of highly rated counterparties, will normally be too small to be validated by statistical methods. The regulations do not explicitly express how to handle portfolios of this kind.

The challenge that SEK faces is thus how to apply the IRB method to prove the correctness of the PD estimates without being able to perform a traditional statistical validation for each individual risk class. Instead, using other quantitative methods, an annual validation of PD estimates is made, in which the company, while taking into account updated default statistics from Standard & Poor's, calculates the probability of SEK's total capital requirement being underestimated, as well as the probability of a substantial underestimation. If the probability of an underestimation is greater than 10 percent, or if the probability of a substantial underestimation is greater than 1 percent, a more in-depth analysis would be performed and the PD estimate would be updated so that the estimate of SEK's total capital requirement ended up within these tolerance levels.

[1] This does not cover positions in securitization since an expected loss amount is not calculated for this exposure class.

6.6 WRITE-DOWNS AND PAST-DUE EXPOSURES

Write-downs are made if and when SEK assesses that the company will not obtain full payment for its claim under a loan agreement, or another asset, from a counterparty and/or under any guarantee and/or through the utilization of collateral held by SEK. If the underlying assumptions for these internal models changed, this could cause material changes in the provisions for anticipated credit losses. In accordance with the Swedish Financial Supervisory Authority's regulations, SEK reports as past-due credits those claims for which principal or interest is more than 90 days past due.

Credit losses for 2010 amounted to a net recovery of Skr 8.2 million (2009: Skr –246.3 million). Write-downs of financial assets amounted to Skr –119.7 million 2010 (2009: Skr –436.0 million). Write-downs were higher in 2009 due to provisions for expected losses related to Glitnir Bank, and two CDOs with impaired ratings, as well as a general reserve for credit risks (unrelated to any identified counterparty). During 2010, additional write-downs were recorded on the two CDOs. These were more than offset by reversals of previous write-downs made in the amount of Skr 126.9 million (2009: Skr 153.0 million), mainly due to the fact that SEK's claim on Glitnir Bank was sold in the second quarter of 2010 at a higher price than expected, as well as a reversal of part of the general reserve for credit risks (unrelated to any identified counterparty). Reversal of the general reserve was made because the assessment is that the credit risk has decreased for the exposures covered by this calculation.

TABLE 6.21: EXPOSURES WITH A NEED FOR WRITE-DOWN AND PAST-DUE EXPOSURES

Skr mn	Past due exposures		Exposures with a need for write-down		Accumulated individual write-downs	
Government export credit agencies	403	(0)	0	(0)	0	(0)
Financial institutions	21	(0)	0	(514)	0	(504)
Corporates	0	(0)	135	(77)	39	(73)
Securitization positions	0	(0)	638	(684)	475	(363)
Total	**424**	**(0)**	**773**	**(1,275)**	**514**	**(940)**

TABLE 6.22: EXPOSURES WITH A NEED FOR WRITE-DOWN AND PAST-DUE EXPOSURES, BY REGION

Skr mn	Past due exposures		Exposures with a need for write-down		Accumulated individual write-downs	
North America	0	(0)	638	(684)	475	(363)
Sweden	403	(0)	108	(46)	14	(42)
Other Nordic countries	0	(0)	0	(514)	0	(504)
Other European countries	21	(0)	27	(31)	25	(31)
Total	**424**	**(0)**	**773**	**(1,275)**	**514**	**(940)**

TABLE 6.23: CHANGES IN WRITE-DOWNS IN 2010

Skr mn	
Opening balance January 1, 2010	940
Write-downs 2010	120
Reversal of previous write-downs	–499
Closing balance December 31, 2010	**561**

6.6.1 LEHMAN BROTHERS

Following Lehman Brothers Holdings Inc.'s (the parent company in the Lehman Brothers group) request for bankruptcy protection on September 15, 2008, SEK replaced most of the outstanding derivative contracts the parent company had entered into with three different Lehman Brothers entities. In accordance with the terms of the original contracts (which generally took the form of ISDA Master Agreements), SEK prepared statements of claim ("Calculation Statements") in relation to all of these Lehman Brothers

entities. The Calculation Statements were delivered to the respective counterparties in the beginning of October 2008.

The majority of the contracts SEK had with different Lehman Brothers entities served primarily to hedge SEK against market risk. Those contracts have been replaced with new contracts. In addition, SEK had entered into credit default swaps with Lehman Brothers entities that were accounted for as financial guarantees and therefore recorded at amortized cost. The underlying counterparties covered by these credit default swaps all had such creditworthiness as to qualify under SEK's policies to be held without credit default swap coverage. SEK has therefore not replaced these credit default swaps. The Calculation Statements include claims for calculated costs related to the replacement of these financial guarantees, however. SEK's claims against Lehman Brothers associated with these financial guarantees total approximately Skr 1.3 billion, which has not been recognized in the statement of financial position due to the requirement that contingent assets only be recognized when there is virtual certainty of collection. Given the unprecedented nature of the Lehman Brothers bankruptcy filing and the expected length of the bankruptcy process, an assessment has been made that the "virtual certainty of collection" standard has not been met.

In June 2009, Lehman Brothers Finance S.A. (in liquidation, with PricewaterhouseCoopers as appointed liquidators) ("LBF") notified the Parent Company that LBF was demanding the payment of amounts that LBF claimed were due under one of the original ISDA Master Agreements (the "LBF Agreement"), plus interest, rejecting SEK's claims for cross-affiliate set-off, interest and damages, as reflected in certain of the Calculation Statements. SEK rejected LBF's claim for payment and its other objections to the relevant Calculation Statements. SEK disagrees with LBF's position, and intends to vigorously defend its position.

SEK believes that, the company will not suffer any significant losses related to the bankruptcy of Lehman Brothers and has therefore not made any provision for this. SEK's set-off and damage claims have however not been settled, and no assurance can be given that they will be compensated in full. Nor can any guarantees on the outcome of the group's dispute with LBF be given. SEK will continue to evaluate the situation and await the outcome of Lehman Brothers Holdings Inc.'s bankruptcy.

6.6.2 SPARBANKSSTIFTELSERNAS FÖRVALTNINGS AB

In March 2009, in connection with the settlement of a claim against Sparbanksstiftelsernas Förvaltnings AB ("SFAB"), SEK came to an agreement with SFAB by which SEK, through a purchase, assumed ownership of 25,520,000 shares in Swedbank AB representing approximately 3.3 percent of Swedbank's total share capital and votes. On June 16, 2009 SEK received a claim from SFAB challenging the agreement related to the transfer of ownership in the shares of Swedbank AB, which claim has been rejected by SEK. SEK subsequently subscribed for new shares in a rights offering of Swedbank AB in the autumn of 2009. Payment for new shares of Skr 497.6 million was delivered on October 6, 2009. SEK's holding in Swedbank AB amounted to 3.3 percent and the number of shares amounted to 38,280,000 after participating in the rights offering.

On October 26, 2009, SEK received an additional claim from SFAB relating to the value of SEK's entire current stake in Swedbank (38,280,000 shares), including fair valuation changes. These shares had an acquisition cost of a total of Skr 997.6 million, and, as of September 30, 2010, had a book value of Skr 3,592.0 million, which corresponded to the fair value. Aforementioned additional claim does not affect SEK's previous conclusion that SFAB has no valid claim, and, therefore, it has been rejected.

On November 11, 2009, SFAB announced that it had initiated arbitration proceedings. On March 1, 2010, SFAB submitted a statement of claim against SEK at the Arbitration Institute of the Stockholm Chamber of Commerce. The statement of claim has subsequently (– after SEK filed its defense) been supplemented and developed. The arbitration process is still ongoing. On March 5, 2010, SFAB also submitted an application for summons against SEK in the said dispute to the City Court of Stockholm. SEK still considers that SFAB's demands are unfounded and has therefore not made any financial provisions in respect of any of the actions taken by SFAB as described above.

6.6.3 SWEDBANK

On October 28, 2010, SEK sold its entire stake in Swedbank AB. The holding was privately placed with a number of Swedish and international institutional investors. SEK, a holder of shares in Swedbank since March 2009, had previously announced that it should not be regarded as a long-term owner but rather had the intention to sell the stake in a responsible way. The shares, which had been acquired at a cost of Skr 997.6 million, were sold for a total of Skr 3,562.7 million resulting in a profit of Skr 2,565.0 million before taxes. The shares had a book value as of September 30, 2010 of Skr 3,592.0 million. The profit from the sale is included in operating income for the fourth quarter of 2010, while equity has been mainly unaffected compared with that reported as at September 30, 2010. At the board meeting held on October 29, 2010, SEK's Board of Directors resolved to call an extraordinary general meeting with the purpose to propose an extra dividend amounting to Skr 1,890.0 million, equal to the realized profit from the sale after tax. The extraordinary general meeting was held on December 1, 2010, a decision on a special dividend amounting to Skr 1,890.0 was taken. The dividend was paid to SEK's owner, the Swedish state, on December 15, 2010. The total impact of the sale of shares and the dividend paid did not affect SEK's capital base negatively, as compared to the capital base reported as of September 30, 2010.

6.7 CREDIT-RISK MITIGATION METHODS

SEK seeks to limit credit risk by the methodical risk-based selection of counterparties. Moreover, counterparty credit risk is managed, *inter alia*, by the use of guarantees supporting counterparty obligations as well as through the purchase of credit protection in the form of credit default swaps ("CDSs"). By purchasing protection under a CDS, SEK seeks to protect itself against certain events (referred to as "credit events") affecting the credit quality of the counterparty in question (for purposes of a CDS, referred to as the "reference entity").

A CDS provides the buyer with the right, under certain circumstances (such as the default or insolvency of the underlying reference entity) to exchange its claims against the reference entity for a pre-agreed value paid by the seller. Stated in general terms, the buyer of protection under a CDS may exchange credit exposure to the reference entity for a combination of derivatives transaction exposure (see section 6.8) towards the financial institution selling protection under the CDS, and residual exposure to the reference entity of the CDS.

As described in more detail in section 6.8, SEK documents any derivatives transaction, including any CDS, through an ISDA Master Agreement supported by either a Credit Support Annex or a recouponing/repricing arrangement. Under these credit support arrangements, the potential net exposure of SEK to the CDS protection seller (and vice versa) is valued on a weekly or monthly basis across all transactions under the agreement, and, where this potential net exposure exceeds pre-agreed levels, credit support is transferred or swaps are repriced to manage the exposure.

The market value of a CDS is a function, among other things, of the creditworthiness of the underlying reference entity. As a result, the changes in value to SEK of a CDS in which SEK is the protection buyer will, all other things being equal, be inversely proportional with the changes in the creditworthiness of the underlying reference entity. SEK therefore views this risk mitigation technique as being particularly efficient from a real risk manage-

ment perspective. For further information on SEK's use of CDSs, see section 6.7.2.

6.7.1 GUARANTEES

SEK relies to a large extent on guarantees in its lending. The guarantors are principally made up of government export credit agencies, such as the Swedish EKN, the Export Import Bank of the United States ("USEXIM"), the Exports Credits Guarantee Department of the United Kingdom ("ECGD"), the Compagnie Financière pour la Commerce Exterieure ("Coface") of France and Euler Hermes Kreditversicherungs AG of Germany, as well as financial institutions and, to a lesser extent, non-financial corporations. Credit risk is allocated to a guarantor according to SEK's policy and therefore, when disclosing credit risk net exposures, the majority of SEK's guaranteed credit exposure is shown as exposure to sovereign counterparties. As of December 31, 2010, government export credit agencies guaranteed a total of Skr 123.8 billion (year-end 2009: Skr 125.1 billion), which was equivalent to 36 percent (year-end 2009: 32 percent) of total credit exposures. Skr 109.6 billion (year-end 2009: Skr 107.6 billion) covered corporate exposures, Skr 6.1 billion (year-end 2009: Skr 9.1 billion) covered exposures to financial institutions, and Skr 8.1 billion (year-end 2009: Skr 8.4 billion) covered government exposures. See also table 6.25 in section 6.7.2.

TABLE 6.24: CREDIT EXPOSURES GUARANTEED BY GOVERNMENT EXPORT CREDIT AGENCIES AS OF DECEMBER 31, 2010 (AND 2009)

Skr bn		Guaranteed exposure		Share	
EKN	The Swedish Export Credits Guarantee Board	96.2	(91.5)	78%	(73%)
ECGD	Export Credits Guarantee Department	6.4	(7.9)	5%	(6%)
US EXIM	Export-Import Bank of the United States	8.3	(10.0)	7%	(8%)
HERMES	Euler Hermes Kreditversicherungs AG	6.2	(7.7)	5%	(6%)
Other		6.7	(8.0)	5%	(6%)
Total		**123.8**	(125.1)	**100%**	(100%)

6.7.2 CREDIT DERIVATIVE TRANSACTIONS

At year-end 2010, SEK had purchased protection through CDSs (described in table 6.25) in respect of claims (assets) totalling Skr 26.8 billion (year-end 2009: Skr 34.0 billion). CDS protection was purchased from 19 (year-end 2009: 21) different financial institutions. Of these, Skr 25.3 billion (year-end 2009: Skr 31.9 billion) covered corporate exposures, Skr 1.5 billion (year-end 2009: Skr 1.7 billion) covered exposures in securitization positions and Skr 0.0 billion (year-end 2009: Skr 0.4 billion) covered exposures to financial institutions.

As described in more detail in section 6.8, SEK has ISDA Master Agreements and Credit Support Annexes or recouponing/repricing arrangements in place with CDS protection sellers. As also described in section 6.8, if the net in-the-money value to SEK of its derivatives transactions (including CDSs) with a given counterparty exceeds a certain pre-agreed level, the CSAs or recouponing/repricing arrangements obliges the individual protection seller to either transfer collateral to SEK or enter into a recouponing transaction which has the same economic effect. All SEK's CDSs are entered into under ISDA Master Agreements supported by either a Credit Support Annex or recouponing/repricing arrangement.

At year-end 2010, the notional amount of CDSs in respect of which SEK acted as seller of protection was Skr 0.5 billion (year-end 2009: Skr 0.7 billion). All the underlying exposures were corporate exposures.

CHART 6.10: BREAKDOWN OF CDS COVERED EXPOSURES BY THE COVERING COUNTERPARTY'S RISK CLASS AS A PERCENTAGE OF THE TOTAL CDS COVERED EXPOSURE AS OF DECEMBER 31, 2010

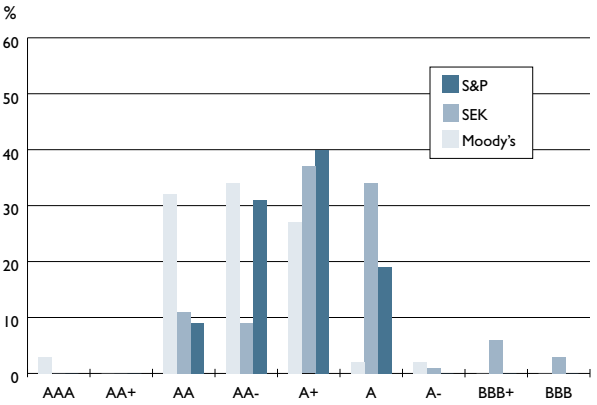
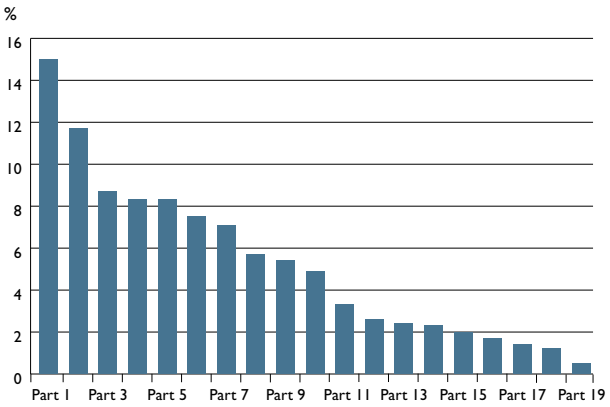


CHART 6.11: ALL SEK'S CDS COUNTERPARTIES AND THEIR PERCENTAGE OF TOTAL CDS COVERED AMOUNTS AS OF DECEMBER 31, 2010



The table below shows SEK's exposures mitigated by guarantees or CDS's, by exposure class as of December 31, 2010.

TABLE 6.25: EXPOSURES MITIGATED BY GUARANTEES OR CREDIT DERIVATIVES, BY EXPOSURE CLASS

Skr bn

		Exposure class after mitigation						
Exposure class before mitigation	**Type of mitigation**	**Institution**	**Corporates**	**Local governments**	**Multilateral development banks**	**Central governments and central banks**	**Export credit agencies**	**Total**
Institutions	Guarantee	0.0	0.1	7.6	0.0	1.5	6.1	15.4
Corporates	Credit Derivative	25.3	0.0	0.0	0.0	0.0	0.0	25.3
	Guarantee	3.9	6.3	1.7	0.4	2.6	109.6	124.5
Local governments	Guarantee	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Securitizations	Credit Derivative	1.5	0.0	0.0	0.0	0.0	0.0	1.5
Central governments and central banks	Guarantee	0.0	0.0	0.0	0.0	1.7	8.1	9.8
Total		**30.7**	**6.4**	**9.4**	**0.4**	**5.8**	**123.8**	**176.5**

6.7.3 OTHER CREDIT-RISK MITIGATION METHODS

SEK relies on various types of collateral in order to reduce and reallocate credit risks. Approved collateral under the ISDA Credit Support Annex (described in more detail below) mostly consists of cash and, to a limited extent, government bonds. Any collateral that SEK is entitled to receive must be managed and documented in a manner such that the collateral fulfills its function and can be used in the intended manner when needed. When a credit decision is made, the creditor's assessed creditworthiness and ability to repay, as well as, where applicable, the value of collateral, is taken into account. The credit decision may be made on the condition that certain collateral is provided.

6.8 COUNTERPARTY RISK IN DERIVATIVES TRANSACTIONS

Counterparty risk may arise when SEK has entered into derivative transactions, such as swaps or options, with a counterparty. Counterparty risk in derivatives transactions is a product of the market value to SEK of the transactions with a given counterparty and the creditworthiness of the counterparty in question. If a derivatives transaction with a counterparty has a positive value for SEK (SEK is "in the money"), a default by the counterparty could signify a loss for SEK. Thus, this risk is not dissimilar to credit risk arising upon the extension of credit. However, in a derivatives relationship the size of the risk may vary substantially during the life of the derivatives transaction(s), e.g. due to changes in the value of the asset underlying the transaction, or due to a sudden drop in the creditworthiness of the counterparty in question.

SEK addresses counterparty risk in derivatives transactions in a number of ways. First, counterparty risk is limited through credit analysis in the ordinary credit process. Secondly, SEK's counterparty risk in derivatives is sought to be reduced by ensuring that derivatives transactions are subject to netting agreements in the form of ISDA Master Agreements. On the assumption that it is enforceable against the counterparty, the effect of a netting agreement is that, should SEK's counterparty default, the positive and negative values to SEK of all derivatives transactions with that counterparty under the relevant netting agreement will be set off against each other, so that only the net exposure remains. SEK endeavours to only enter into derivatives transactions with counterparties in jurisdictions where such netting is enforceable. Thirdly, the ISDA Master Agreements are complemented by supplementary agreements providing for the collateralization of counterparty exposure. The supplementary agreements are in the form of ISDA Credit Support Annexes (CSAs), providing for the regular transfer and re-transfer of credit support with a fall-back (that will apply in specific circumstances) to certain other provisions (referred to as "recouponing" or "repricing" provisions), which have the same economic effect as a CSA, but are based on a different contractual concept. Moreover, in some cases, ISDA Master Agreements are supported exclusively by such recouponing/repricing provisions. Both the CSA and the recouponing/repricing provisions rely on a regular (typically monthly or weekly) assessment of counterparty exposure and provide that where such exposure is above a certain threshold, collateral shall be transferred or recouponing shall take place. The level of unsecured exposure, which SEK is prepared to take in respect of a given counterparty is often linked to the external credit rating of the counterparty. Recently, however, SEK has begun to reduce this level to zero, both with new and existing counterparties. Where the threshold is zero, the uncollateralized exposure of SEK will, provided the relevant collateral provisions are enforceable, largely be a function of movements in the value of the transactions between the monthly or weekly valuations, and the application of a minimum transfer amount for collateral transfers. The SEK standard minimum transfer amount is USD/EUR 1,000,000.

Importantly, both the CSA and the recouponing/repricing provisions may go both ways, meaning that where the counterparty has exposure to SEK above the agreed threshold and minimum transfer amount, SEK may be required to transfer collateral or provide credit support through recouponing/repricing of transactions. In a number of collateral arrangements, the amount of collateral that SEK would be required to transfer is dependent on SEK's credit rating. However, recently, SEK has begun to amend these ratings-related provisions with both new and existing counterparties.

6.8.1 INFORMATION ABOUT COUNTERPARTY RISK IN DERIVATIVE TRANSACTIONS

SEK has analyzed the effect on SEK of having to provide additional collateral if SEK's own credit rating is stressed. At year-end 2010, in the event of a downgrade of SEK's rating from 'AA+' to 'A+', the largest amount that could be demanded of SEK would be approximately Skr 1.2 billion (year-end 2009: Skr 2 billion).

As described above, where the values of transactions fluctuate so SEK has exposure to a counterparty exceeding the level of unsecured exposure agreed with that counterparty, the net exposure must, subject to the applicable minimum transfer amount, be regulated so that the exposure will be reduced. As of December 31, 2010 the positive gross value of derivative transactions on the balance sheet was Skr 37.7 billion (year-end 2009: Skr 22.7 billion). However, on the assumption that the netting is enforceable, also on the insolvency of a counterparty, SEK's exposure on default of its counterparties should, as a function of close-out netting under the ISDA Master Agreement, be its net exposure, as described above. SEK's net counterparty exposure in derivatives transactions was equal to approximately Skr 23.6 billion (year-end 2009: Skr 7.5 billion), i.e. Skr 14.1 billion (year-end 2009: Skr 15.2 billion) less than the gross exposure. As of December 31, 2010, SEK's counterparties had provided credit support of Skr 14.3 billion (year-end 2009: Skr 3.9 billion). During 2010, credit support received amounted on average to Skr 8.5 billion (2009: Skr 6.7 billion). Chart 6.12 displays how transactions settled by counterparties under the ISDA Master Agreements varied over 2010.

CHART 6.12: TRANSACTIONS SETTLED BY COUNTERPARTIES, AVERAGE PER MONTH DURING 2010

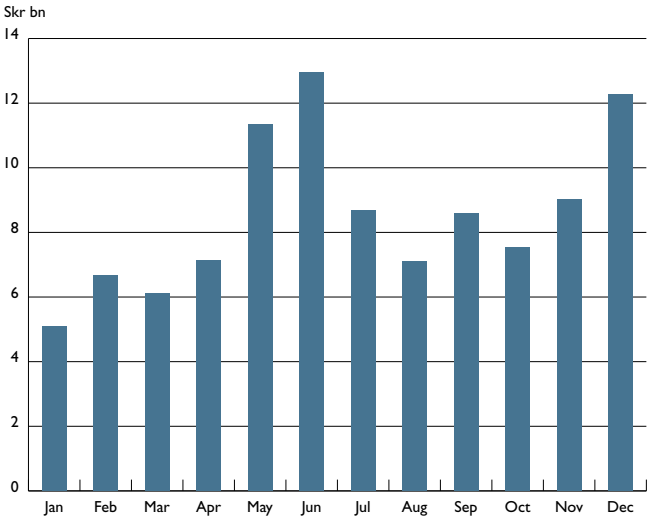


Table 6.26 shows values of derivative contracts on the balance sheet as of December 31, 2010 (and 2009).

TABLE 6.26: DERIVATIVE INSTRUMENTS

Skr bn	Assets fair value		Liabilities fair value		Nominal amounts	
Currency related contracts	24.8	(5.3)	6.5	(4.6)	253.9	(198.8)
Interest rate related contracts	3.9	(12.8)	7.0	(8.8)	148.0	(256.8)
Equity related contracts	7.1	(3.6)	4.0	(7.3)	73.1	(58.7)
Others	1.9	(1.0)	0.6	(1.9)	20.6	(19.4)
Total	**37.7**	**(22.7)**	**18.1**	**(22.6)**	**495.6**	**(533.8)**
Collateral received					14.3	(3.9)
Reduction in exposure from applying netting					14.1	(15.2)

6.8.2 CAPITAL REQUIREMENT FOR COUNTERPARTY RISK IN DERIVATIVE TRANSACTIONS

SEK applies the mark to market method to calculate the exposure amount for counterparty risk under Pillar 1. As of December 31, 2010, the capital requirement for counterparty risk in derivative transactions under Pillar 1 totaled Skr 309 million (year-end 2009: Skr 254 million). Table 6.27 shows current exposure, potential future exposure and capital requirements for counterparty risk.

Economic capital for counterparty risk under Pillar 2 is calculated in much the same way as for ordinary credit risk exposures. The exposure amounts are determined by the market value of derivative contracts, netted by counterparty. An addition is made for potential future credit exposures due to the volatility of the market values. This process is the same as when determining the minimum capital requirement for counterparty risk under Pillar 1. Once the exposure amounts have been determined, the exposures are added to the rest of the credit portfolio as if they were ordinary credit exposures and economic capital for credit risk is calculated for the entire portfolio as described in section 5.2.1.

6.9 CAPITAL REQUIREMENT FOR CREDIT RISK

Table 6.28 summarizes the capital requirement for credit risk under Pillar 1, broken down by the IRB approach and the standardized approach.

TABLE 6.28: RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENT CREDIT RISK AS OF DECEMBER 31, 2010 (AND 2009)

Skr mn	Risk-weighted assets		Capital requirement	
Standardized approach				
Central governments	855	(808)	69	(65)
Government export credit agencies	0	(0)	0	(0)
Corporates	66	(30)	5	(2)
Retail	3	(4)	0	(0)
Total capital requirement standardized approach	**925**	**(842)**	**74**	**(67)**
IRB method				
Financial institutions	29,219	(33,561)	2,338	(2,684)
Securization positions	4,356	(7,148)	348	(573)
Corporates	24,423	(21,509)	1,954	(1,721)
Non-credit-obligation assets	159	(131)	13	(10)
Total capital requirement IRB method	**58,157**	**(62,349)**	**4,653**	**(4,988)**
Total credit risk[1]	**59,081**	**(63,191)**	**4,727**	**(5,055)**
[1] Of which **counterparty credit risk**	3,868	(3,175)	309	(254)

See also section 5.2.1 and 5.3.2 for description of measurement and calculation of economic capital under Pillar 2 for credit risk.

TABLE 6.27: CURRENT EXPOSURE, POTENTIAL FUTURE EXPOSURE AND CAPITAL REQUIREMENTS FOR COUNTERPARTY RISK AS OF DECEMBER 31, 2010 (AND 2009)

Skr mn	Current exposure		Potential future exposure		Total exposure		Risk weighted amount		Capital requirement	
Public entities	66	(0)	27	(39)	93	(39)	0	(0)	0	(0)
Institutions	469	(786)	10,262	(9,235)	10,731	(10,020)	3,856	(3,174)	308	(254)
Corporates	20	(0)	9	(3)	29	(3)	12	(1)	1	(0)
Total	**556**	**(786)**	**10,298**	**(9,277)**	**10,854**	**(10,063)**	**3,868**	**(3,175)**	**309**	**(254)**

7. OPERATIONAL RISK

Operational risk is inherent in all activities performed by SEK. SEK's policy requires operational risk to be at a low level. SEK also has a zero risk tolerance for compliance risk which is a subcategory of operational risks.

7.1 RESPONSIBILITY

SEK's operational risk management is regulated by the steering documents drawn up by the President. The steering documents define SEK's risk appetite for operational risk and responsibilities for managing and reporting operational risk. These documents also define procedures for incident management and risk analysis of new products.

The Internal Control Committee has overall responsibility for the management and monitoring of operational risks. Responsibility for continual identification, management and control of operational risks is a clear and integral part of management responsibility at all levels. The Internal Control function is responsible for supporting management with the identification, management and control of operational risk, while Risk Control is responsible for the measurement and assessment of operational risk.

7.2 RISK MANAGEMENT

SEK has a reporting system for operational incidents in order to aid reporting and remediation. These reports are reviewed and a great deal of work is carried out to ensure that the events are not repeated. New and significant changes in products and services undergo a risk analysis that takes into account operational risk. Crisis and contingency plans are in place in all parts of the company to handle any serious disruptions.

Since SEK's transactions often have a long maturity and a high degree of complexity, SEK has high requirements for systems, processes and personnel in order to minimize operational risk. The comprehensive risk management that SEK carries out is often complex and therefore involves additional operational risk, which is minimized in a corresponding way. In addition, there is a risk that SEK's reputation could be damaged if the company does not act in accordance with applicable regulations and accepted practices, or in some other way does not live up to its commitments, including those not explicitly expressed. Such risks are reduced through active work involving risk culture, adherence to regulations and corporate governance.

7.3 COMPLIANCE RISK AND MONEY LAUNDERING

Compliance risk is an operational risk and has been elevated to its own category for reporting purposes due to the importance of this area. The President has overall responsibility for regularly identifying compliance risks and for ensuring that business is conducted in compliance with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to SEK's financial activities. The President has assigned the compliance function to assist the organization in identifying and assessing the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that SEK may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to its financial activities. This assessment covers new legislation, internal regulations and the risk of conflicts of interest.

Money laundering risks are identified in accordance with the Act on Measures Against Money Laundering and Terrorist Financing (2009:62). Procedures for monitoring money laundering risks include the collection and review of customer information and the monitoring of transactions in accordance with a risk-based approach. All employees within relevant business units receive regular training and information regarding changes in regulations and new trends and patterns, as well as methods which may be used for money laundering and terrorist financing. SEK has a process of providing information regarding suspicion of money laundering to the National Police Board.

7.4 CAPITAL REQUIREMENT FOR OPERATIONAL RISK

SEK uses the Basic Indicator Approach to calculate the capital requirement for operational risk under Pillar 1. The capital requirement for operational risk under the Basic Indicator Approach is equal to 15 percent of a gross income indicator. The gross income indicator represents an average of gross income for the last three years. The gross income is calculated as the sum of the following items: interest and leasing revenues, interest and leasing expenses, dividends received, commissions earned, commissions incurred, net results of financial transactions, and other operational revenues. As of December 31, 2010 the capital requirement for operational risk totaled Skr 430 million (year-end 2009: Skr 251 million). See table 4.3 in section 4 and also chart 5.3 in section 5.3.2.

8. MARKET RISK

SEK's policy allows net exposure to interest rate and currency risks within predetermined limits. For interest rate and currency-related risks the limits are set at very low level. Other market risks must be hedged.

8.1 CURRENCY RISK

8.1.1 RISK MANAGEMENT AND REPORTING

Currency risk is kept at a low level by SEK by usually matching assets and liabilities in terms of currencies. Most of the remaining currency risk, which is limited, arises due to the difference between revenues and costs (interest margins) related to assets and liabilities in the respective currencies. Currency risks are restricted by limits set by the Board's Finance Committee. SEK has a limit for total currency risk, as well as sub-limits for different foreign currencies. Currency risk is monitored on a monthly basis and reported to the Asset and Liability Committee and to the Board's Finance Committee.

8.1.2 CURRENCY RISK MEASUREMENT

The risk is calculated as the change in the value of foreign currency positions resulting from a ten-percentage-point change in the exchange rate for the Swedish krona. SEK's internally established limit for currency risk totals Skr 15 million. As of December 31, 2010, currency risk totaled Skr 2 million (year-end 2009: Skr 4 million).

8.2 INTEREST RATE RISK IN THE BANKING BOOK

8.2.1 RISK MANAGEMENT AND REPORTING

Risk neutrality for interest rate risk in debt-financed assets and debt excluding perpetual subordinated debt can only be achieved if currency, interest rate terms and the overall maturity period for the liabilities match the corresponding assets. Conditions are different with regard to shareholders' funds, as interest rate terms cannot be matched. According to SEK's approach, risk neutrality should be based on the aim of minimizing earnings volatility and forming a link with the shareholder's required return on equity. According to prevalent capital markets theory, the required return on equity consists of two separate parts; the risk-free rate and a risk premium. If the required return on equity were to follow this theory, earnings should not remain unchanged if interest rates change. In contrast, a change in interest rates that represents the proportion of the risk-free rate should be considered risk-neutral. In addition to this theory, SEK has taken as its starting point an assessment of the average maturity in the credit portfolio and has also taken reinvestment risk into consideration. On this basis, SEK has defined zero risk in assets funded with shareholders' funds as a maturity structure whereby 1/7 of the total portfolio matures every year from year 1 to year 7.

The Board's Finance Committee has overall responsibility for interest rate risk management. The Committee sets out the central policy documents for interest rate risk management, as well as the limits restricting the interest rate risk. Risk Control is responsible for control, analysis and reporting of interest rate risk. Interest rate risk in the banking book is reported regularly to the Asset and Liability Committee and the Board's Finance Committee.

8.2.2 INTEREST RATE RISK MEASUREMENT

The following describes how SEK measures and reports interest rate risk in the banking book. For a description of the effects on results of operations and other comprehensive income please see Note 27 in SEK's Annual Report 2010:

8.2.2.1 Interest rate risk in debt-financed assets and debt excluding perpetual subordinated debt

Interest rate risk in debt-financed assets and debt excluding perpetual subordinated debt is measured as the highest of the risk calculated from a positive one-percentage-point parallel shift in the yield curve and the rotation risk. For each currency, the absolute value of the interest rate risk contribution is calculated and then totaled to form the total interest rate risk. Rotation risk is defined as the impact on SEK's earnings and/or financial position that would occur as the result of an assumed rotation of the yield curve (a linear shift of, at most, 0.5 percentage points in each direction). Perpetual subordinated debt with related hedging transactions, as well as assets in which shareholders' equity and untaxed reserves are invested, are excluded from these calculations.

The limit for interest rate risk in debt-financed assets and debt excluding perpetual subordinated debt was Skr 70 million at the end of 2010 (year-end 2009: Skr 70 million). The risk amounted to Skr 47 million at the end of 2010 (year-end 2009: Skr 37 million) (see table 8.1).

Chart 8.1 shows the calculation of interest rate risk divided among the five currencies that generate the greatest interest rate risk, as well as other currencies, at the end of 2010.

CHART 8.1: INTEREST RATE RISK BY CURRENCY

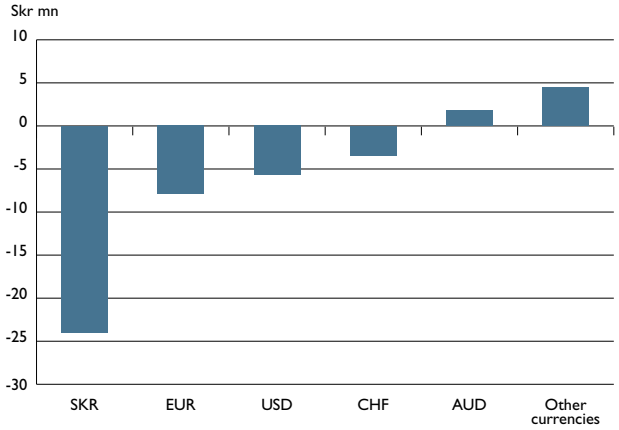
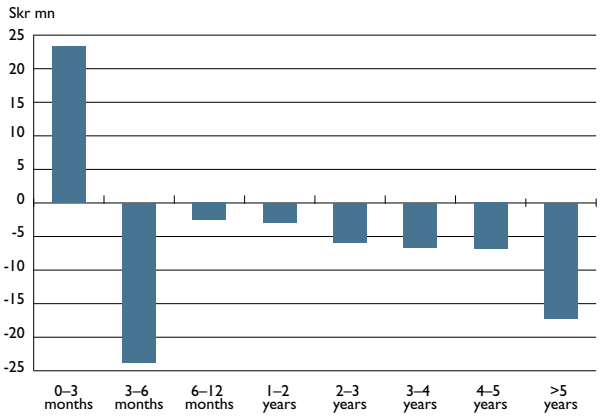


Chart 8.2 shows the breakdown of interest rate risk, as of December 31, 2010 in relation to the fixed interest periods for assets and liabilities. In chart 8.2 the total interest rate risk has been calculated without using the absolute contributions for each currency. As chart 8.2 shows, most of SEK's interest rate risk is attributable to the fixed interest terms of 0-3 months and 3-6 months. However, the net interest rate risk for these two periods is less than Skr 0.4 million.

CHART 8.2: INTEREST RATE RISK IN RELATION TO FIXED INTEREST PERIODS



8.2.2.2 Interest rate risk in perpetual subordinated debt

The interest rate risk in perpetual subordinated debt is measured as the change in present value that arises from a parallel shift in the yield curve of one percentage point or a rotation of 0.5 percentage points. As of December 31, 2010, perpetual subordinated debt totaled USD 350 million (year-end 2009: Skr 350 million), equivalent to Skr 2,381 million (year-end 2009: Skr 2,524 million). The interest rate risk was hedged with interest rate swaps with maturities between 2019 and 2034. The maturity for perpetual subordinated debt has been approximated at 30 years and hedging has been carried out in order to match this maturity. SEK therefore measures an approximated interest rate risk related to perpetual subordinated debt. The sensitivity inherent in a potential one-percentage-point parallel shift in yield curves was Skr 144 million at the end of 2010 (year-end 2009: Skr 125 million). There is no specific limit for this risk.

8.2.2.3 Interest rate risk in assets corresponding to shareholders' funds

In order to ensure a long-term stable return on equity, SEK's policy is to invest shareholders' funds in securities with medium-term maturities. At year-end 2010, the volume of securities held for this purpose amounted to approximately Skr 13.6 billion, with an average outstanding maturity of 3.4 years (year-end 2009: Skr 9.8 billion with an average outstanding maturity of 3.2 years). The interest rate risk in assets corresponding to shareholders' funds is calculated as a change in present value at a one-percentage-point parallel upward shift in yield curves compared with a benchmark portfolio according to the zero-risk definition. According to this definition, which aims to reflect the risk of, and take into account the shareholder's demand for long-term return on the shareholder's funds, the interest rate risk was Skr 48 million at the end of 2010 (year-end 2009: Skr 43 million). The sensitivity in the event of a one-percentage-point parallel shift in the yield curves, not comparing with a benchmark portfolio, was Skr –406 million at the end of 2010.

8.2.2.4 Basis risk

The differences in the interest rate basis for different currencies lead to a risk in the case of surpluses or deficits in borrowings in relation to loans in individual currencies over a specific period. The basis risk is calculated (with the exception of surpluses in Skr, USD and EUR) as the change in present value due to changes in interest rate bases by a certain number of basis points (according to a standard method). Surpluses in Skr, USD and EUR are excluded from the calculation of basis risk since the majority of SEK's lending is made in these currencies. Surpluses in these currencies may be transferred into a new type of lending with relative immediacy if required. The limit for basis risk was Skr 190 million at the end of 2010 (year-end 2009: Skr 190 million).

Total basis risk amounted to Skr 91 million at the end of 2010 (year-end 2009: Skr 107 million). See table 8.1.

TABLE 8.1: INTEREST RATE RISK IN BANKING BOOK

Skr mn	Limit		Risk (also see under respective heading)	
Interest rate risk				
Parallel shift (+1%)				
Interest rate risk in assets corresponding to shareholders' funds compared with a benchmark portfolio			48	(43)
Interest rate risk in perpetual subordinated debt			144	(125)
Interest rate risk in debt-financed assets and debt excluding perpetual subordinated debt	70	(70)	47	(37)
of which in foreign currency			23	(20)
of which in Skr			24	(17)
Interest rate risk for all SEK's interest sensitive positions			–304	(–190)
Basis risk	**190**	**(190)**	**91**	**(107)**
Rotation risk	**70**	**(70)**	**12**	**(20)**

8.2.3 INTEREST RATE RISK REPORTING TO THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY

SEK regularly reports interest rate risk in the banking book to the Swedish Financial Supervisory Authority in accordance with regulation FFFS 2007:4. The calculations include all of SEK's exposures in the banking book that contain interest rate conditions. The total interest rate risk is calculated by arriving at the net sum interest rate risk of the ten most significant currencies, together with the interest rate risk for other currencies where the latter are treated as a single item. If there is a possible change in value exceeding 20 percent of SEK's capital base in either direction as a result of an interest rate change of two percentage points, a report must be submitted to the Swedish Financial Supervisory Authority. Given a positive parallel shift in all yield curves of 200 basis points, as of December 31, 2010, the sensitivity was Skr –635 million, which corresponds to 4.4 percent of SEK's capital base. Given a negative parallel shift of 200 basis points the sensitivity was Skr +446 million, which corresponds to 3.1 percent of SEK's capital base. The strong convexity of this result arises from a combination of prevailing market conditions with low market interest rates and the fact that SEK's perpetual subordinated debt is hedged with contracts whose time to maturity is limited.

8.3 OTHER PRICE RISK

SEK is not exposed to market risks other than those described above since other market risks are hedged.

8.4 CAPITAL REQUIREMENT FOR MARKET RISK

SEK has only limited market risks under Pillar 1 in the form of currency risks. As of December 31, 2010 SEK's total net position in foreign currency did not exceed two percent of the group's capital base, and SEK consequently did not have any capital requirement for currency risk. As of the end of 2010, SEK was not exposed to any commodity risk. SEK had no trading book as of December 31, 2010. There was consequently no capital requirement for market risks under Pillar 1 during 2010.

Capital requirements for interest rate risk under Pillar 2 are measured by the value change arising from a parallel 100 basis point shift of all yield curves for all the company's interest rate-sensitive positions (except repurchased SEK-issued securities). All risks in a foreign currency are translated to Swedish krona in accordance with the current spot rate.

As of December 31, 2010, this capital requirement amounted to Skr 251 million.

9. LIQUIDITY AND FUNDING RISK

SEK applies a conservative policy concerning liquidity and funding risks, in order to avoid refinancing risk. This policy means that all credit commitments – outstanding credits as well as agreed but undisbursed credits – shall be funded through maturity. This means that SEK does not have to raise new borrowings if market conditions are deemed to be disadvantageous.

9.1 RESPONSIBILITY AND REPORTING

SEK's Board of Directors has overall responsibility for liquidity risk management and also establishes policies for liquidity risk management. Operational responsibility for liquidity risk management lies with SEK's Liquidity Management function. Short-term liquidity is monitored and managed on a daily basis, while long-term liquidity planning is monitored on a monthly basis and reported to account managers, Risk Control, the Asset and Liability Committee, the Executive Committee, the Finance Committee and the Board of Directors. Funding managers ensure that funding always exceeds credit commitments – outstanding credits as well as agreed but undisbursed credits – through maturity. Responsibility for ensuring that short-term and long-term liquidity risk limits are adhered to, lies with the Asset and Liability Committee, while Risk Control is responsible for the control, analysis and reporting of liquidity risks.

9.2 LIQUIDITY AND FUNDING RISK MANAGEMENT

SEK's liquidity and funding risk is measured on the basis of different forecasts regarding the development of available funds in comparison with credit commitments. Available funds are defined as shareholders' funds, borrowing, and a credit facility with the Swedish National Debt Office. Credit commitments are defined as outstanding credits and agreed but undisbursed credits. See also chart 9.4 "Development over time of SEK's available funds".

When managing liquidity risk, different time perspectives are considered:

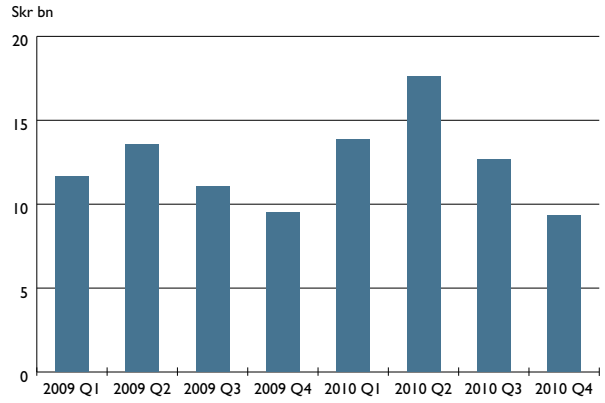
- In the short term, a deficit is avoided through overnight investments in larger or smaller amounts depending on needs and the market situation.
- All credit commitments – outstanding credits as well as agreed but undisbursed credits – must be fully financed through maturity, and this demands large volumes of long-term funding. The position taken when investing liquid funds is determined with these two time perspectives in mind.

9.2.1 LIQUIDITY RISK FROM A SHORT-TERM PERSPECTIVE

Short-term liquidity risk is managed by a combination of a large volume of liquid assets, strict rules for funding needs and back up facilities. In 2009, the government granted SEK a credit facility of Skr 100 billion through the Swedish National Debt Office. This facility was extended in December 2010 and is now valid through December 31, 2011. 80 percent of this facility is allocated to the S-system.

In daily management, deficits must be avoided. This is regulated with the help of established limits. As mentioned earlier, SEK also has back up facilities that serve as a buffer in the event of possible deficits. In addition, during turbulent times a larger portion of liquid funds are invested via so-called O/N-investments (deposits) to further ensure access to liquid funds.

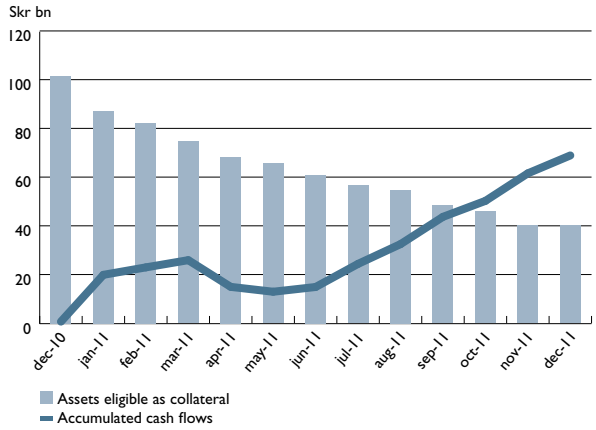
CHART 9.1: AVERAGE SURPLUS THAT WAS INVESTED IN O/N DURING 2009 AND 2010



Cash flows are forecast, reported and monitored carefully so that possible deficits can be avoided in advance, firstly through new funding, and ultimately through the sale of liquid assets. SEK also performs stress tests of cash flows for different scenarios. Chart 9.2 shows the development of accumulated cash flows for a scenario in which the market is stressed. Assumptions for this scenario include: not all funding that matures can be refinanced; cash needs to be paid out under collateral agreements; and SEK meets all of its previously agreed credit commitments. Account is also taken of the fact that some of the liquidity portfolio can be quickly converted into liquid funds. In addition to this, SEK holds a significant amount of assets that are eligible to be held as collateral at central banks. These have not been utilized in the stressed scenario below. Instead, they serve as an additional buffer in case market conditions should become even more disadvantageous than anticipated. See section 9.5 "Stress testing" for more information on these tests.

In addition to stressed scenarios, the probability distribution of future cash flows is analyzed, which enables the company to assess the size and likelihood of extreme cash flows. This Value-at-Risk-based approach enables analysis of the sensitivity of the cash flows as well as of the risk factors that drive the refinancing risk.

CHART 9.2: STRESS TEST AND CASH FLOWS IN MARKET STRESS SCENARIO



SEK analyzes the effect on the requirement for regulation of net exposures when the credit rating of the company is stressed. The largest amount that could be claimed from SEK in the event of a downgrade of SEK's rating from 'AA+' to 'A+' was Skr 1.2 (2.0) billion at December 31, 2010.

For the purpose of ensuring access to funding, SEK has several funding programs for maturities up to one year. Short-term funding programs include a US Commercial Paper program (UCP) and a European Commercial Paper program (ECP), with the latter of these allowing borrowing in multiple currencies. Table 9.3 illustrates these funding sources. The total volume of short-term funding programs was USD 7.0 billion, of which USD 0.0 billion had been utilized as of December 31, 2010. SEK also has swing lines that function as back up-facilities for the commercial paper programs.

TABLE 9.3: SHORT-TERM FUNDING PROGRAMS

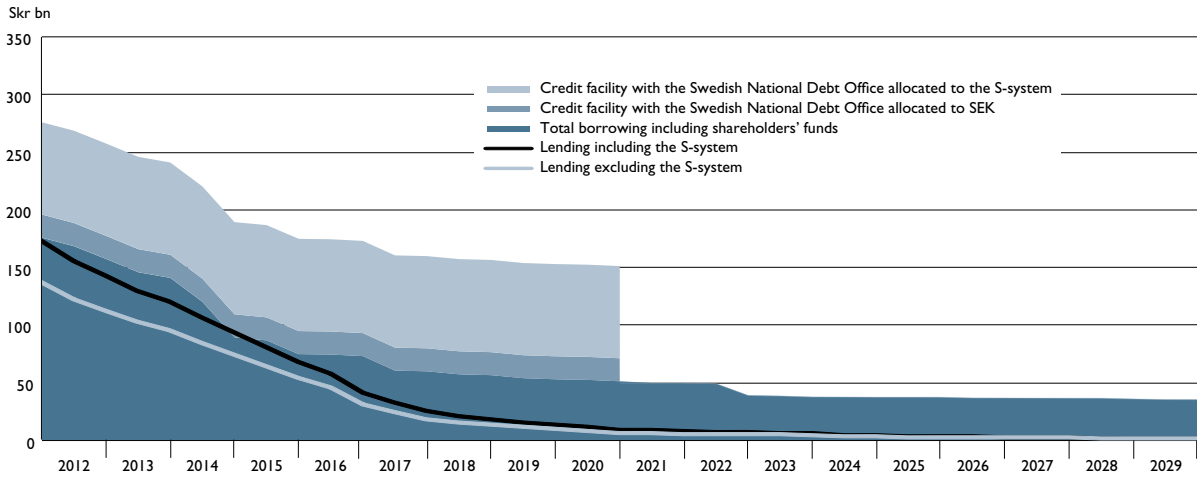
Program type	UCP	ECP
Currency	USD	Multiple currencies
Number of dealers	4	4
"Dealer of the day facility"	No	Yes
Program size	USD 3,000 mn	USD 4,000 mn
Usage as of Dec. 31, 2010	USD 0 mn	USD 0 mn
Maturity	Maximum 270 days	Maximum 364 days

9.2.2 LIQUIDITY RISK FROM A LONG-TERM PERSPECTIVE

All SEK's credit commitments – outstanding credits as well as agreed but undisbursed credits – are financed through maturity. Consequently, additional funding is not required to manage commitments with regard to existing credits. This policy is monitored through the reporting of maturity profiles for lending and borrowing in accordance with chart 9.4.

Some of SEK's structured long-term borrowing includes early-redemption clauses that will be triggered if certain market conditions are met. Thus, the actual maturity for such contracts is uncertain. In chart 9.4, such borrowing has been assumed to be due at the first possible redemption opportunity. This assumption is an expression of the precautionary principle that the company applies concerning liquidity management. In addition, SEK also carries out various sensitivity analyses with regard to such instruments, in which different market conditions are simulated.

CHART 9.4: DEVELOPMENT OVER TIME OF SEK'S AVAILABLE FUNDS AS OF DECEMBER 31, 2010



9.3 DIVERSIFICATION

To secure access to large volumes of funding, and to ensure that insufficient liquidity in individual funding sources does not pose an obstacle to operations, SEK issues bonds with different structures, currencies and maturities. In addition, SEK also carries out issues in many different geographic markets. Charts 9.5, 9.6 and 9.7 illustrate some of the aspects of the diversification of SEK's funding.

CHART 9.5: LONG-TERM FUNDING AS OF DECEMBER 31, 2010 (AND 2009) BY CURRENCY

Net total long-term funding amount when swaps are taken into account: Skr 263.6 billion as of December 31, 2010.

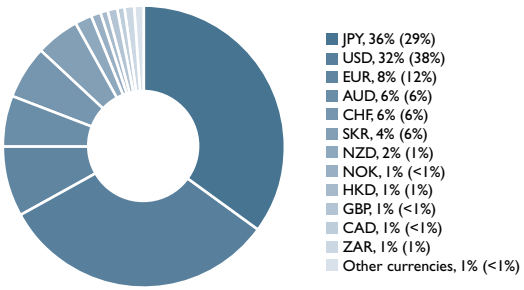


CHART 9.6: LONG-TERM FUNDING AS OF DECEMBER 31, 2010 (AND 2009) BY STRUCTURE TYPE

Net total long-term funding amount, when swaps are taken into account: Skr 263.6 billion as of December 31, 2010.

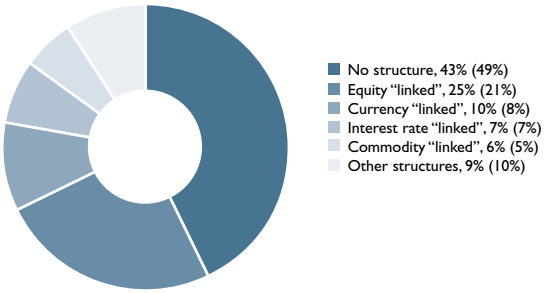
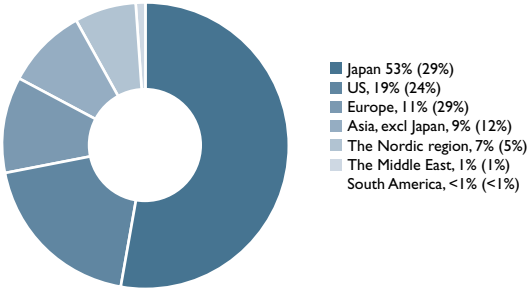


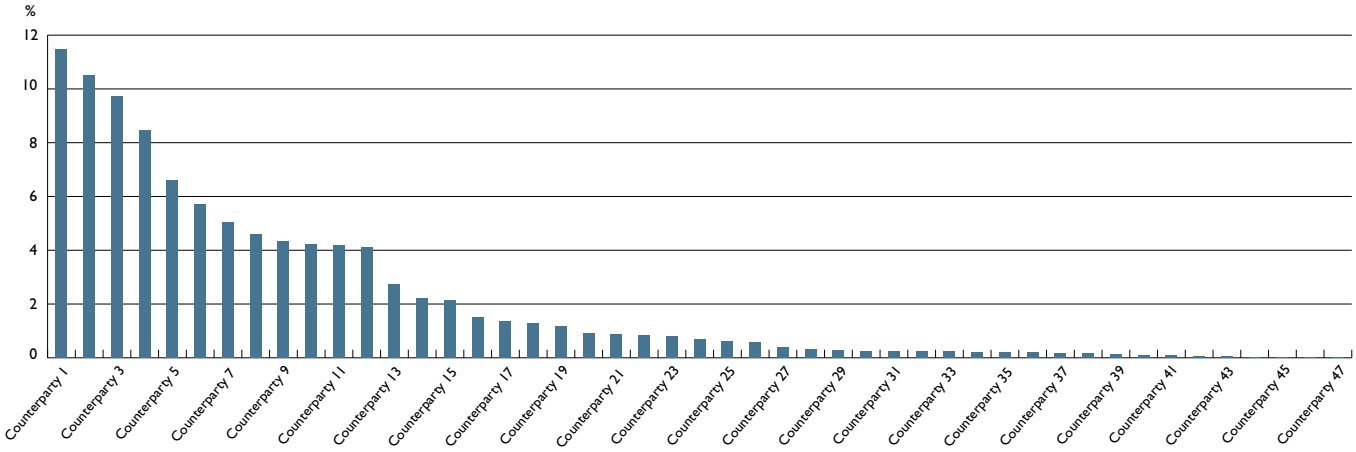
CHART 9.7: LONG-TERM FUNDING IN 2010 (AND 2009) BY MARKET

Total long-term funding amount in 2010: Skr 76.6 billion.



Structured bonds often create exposures to underlying market risks, mostly to an equity Index or to a foreign-exchange rate. By using derivatives, SEK converts these flows to purely interest-based flows, which is why the net market risk is only interest rate risk. Since SEK has a large number of swap counterparties, the impact of individual default risk is reduced. Chart 9.8 shows the percentage of SEK's total funding that has been converted in this manner by swap counterparty.

CHART 9.8: LONG-TERM FUNDING BY SWAP COUNTERPARTY



9.4 LIQUIDITY

To meet the financing requirements for long-term lending, liquid assets surpluses need to be invested in assets with good credit quality. It is the company's assessment that assets in the liquidity portfolio will be held to maturity. As of December 31, 2010, the size of SEK's liquidity portfolio was Skr 116.6 billion (153.8). The decrease in the size of SEK's liquidity portfolio emanates primarily from a lower volume of undisbursed credit commitments and from expectations of lower lending volumes in coming years. The strengthening of the Swedish krona in 2010 also contributed to the lower volume. The charts provide a breakdown of SEK's liquidity portfolio by exposure type, maturity and rating as of December 31, 2010. The remaining maturity in the liquidity portfolio decreased in 2010. Furthermore, credit quality declined in 2010 owing mainly to lesser amounts of investments in government-guaranteed issues from financial institutions. Downgrades of securitization positions during 2010 also contributed to lower credit quality.

CHART 9.9: SEK'S LIQUIDITY PORTFOLIO AS OF DECEMBER 31, 2010 (AND 2009) BY EXPOSURE TYPE

Total amount of SEK's liquidity portfolio: Skr 116.6 billion, as of December 31, 2010.

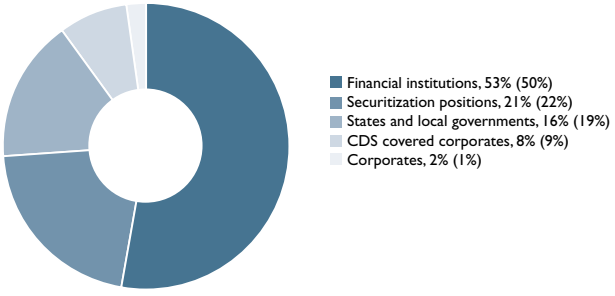


CHART 9.10: REMAINING MATURITY IN SEK'S LIQUIDITY PORTFOLIO AS OF DECEMBER 31, 2010 AND DECEMBER 31, 2009

Total amount of SEK's liquidity portfolio: Skr 116.6 billion, as of December 31, 2010.

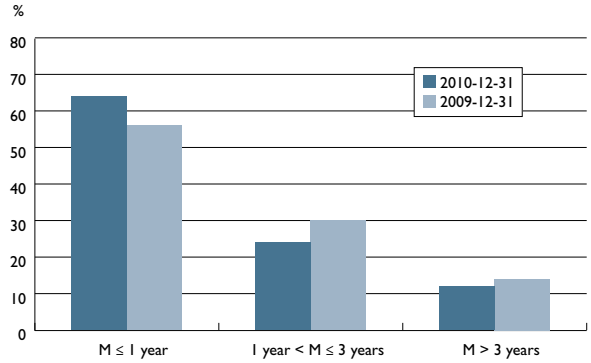
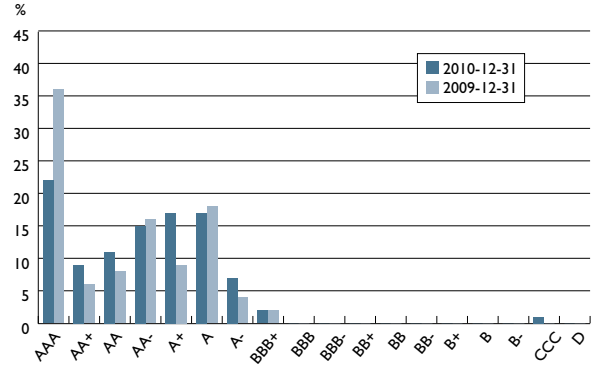


CHART 9.11: SEK'S LIQUIDITY PORTFOLIO AS OF DECEMBER 31, 2010 AND DECEMBER 31, 2009, BY RATING

Total amount of SEK's liquidity portfolio: Skr 116.6 billion, as of December 31, 2010.



9.5 STRESS TESTING

SEK conducts stress tests on a regular basis. The aim of liquidity stress testing in SEK is to improve readiness to face potential disruptive events and to identify possible vulnerabilities in liquidity management, as well as to ensure that appropriate mitigating actions are in place to avoid liquidity shortfalls. The tests estimate liquidity risk in various scenarios, including a company-specific scenario, a market-wide stress scenario and a combination of the two. The stress testing covers a time horizon of up to one year. The results of these stress tests are discussed thoroughly by management, primarily by the Asset and Liability Committee and the Board's Finance Committee. SEK analyses the effect of different scenarios on its liquidity and on its access to central bank facilities. The results of the stress tests play a key role in shaping SEK's contingency planning. As a result, stress testing and contingency planning are closely integrated. The results of the 2010 stress tests show that SEK has, in line with SEK's liquidity and funding policy, a cash surplus to ensure readiness to be able to make payments in the form of agreed but undisbursed credits and payments under collateral agreements. The results also show that SEK has appropriate resources to meet possible increasing credit demands. See also section 9.2.1, "Liquidity risk from a short-term perspective", for information on the outcome of stress tests performed as of December 31, 2010.

9.6 CONTINGENCY FUNDING PLANS

SEK has established a contingency funding plan for the management of liquidity crises. The plan describes what constitutes a liquidity crisis according to SEK and what measures SEK intends to take if such a crisis is deemed to have occurred. The plan also describes the roles and responsibilities during a liquidity crisis, including the authority to invoke the plan. It contains an escalation procedure, i.e., a description of when the plan should be activated and how the different actions should be prioritized in a liquidity crisis. Furthermore, an internal and external communication plan is included in SEK's contingency funding plan. As mentioned in section 9.5 "Stress testing" the contingency funding plan design and procedures are closely integrated with the results of the scenarios and assumptions used in stress tests.

9.7 CAPITAL REQUIREMENTS FOR LIQUIDITY RISK UNDER PILLAR 2

SEK does not allocate capital for liquidity risk. SEK regards liquidity risk as being, primarily, a contingent risk, since it is typically caused by credit losses or other problems in its own business, in a general economic downturn or in a financial crisis. Although liquidity risk can arise due to the aforementioned reasons, SEK believes that the emergence and impact of a liquidity crisis is alleviated or discouraged if the exposure is limited and the company has a good contingency plan as well as professional risk management. SEK therefore focuses primarily on conservative and professional liquidity risk management.

10. REPUTATIONAL RISK

SEK is strongly averse to reputational risk and focuses on managing this risk in a proactive and professional manner.

10.1 MANAGEMENT OF REPUTATIONAL RISK

The company's communications plan forms the steering document that describes the principles that apply for both long-term and short-term management of reputational risk. The company's communications plan aims to ensure *proactive* management of communications challenges. The communications plan includes a (long-term) communication strategy, an activity plan and specific advice and guidance with regard to (short-term) media management.

The method used to assess the level of risk in the company is primarily based on experience and knowledge of how the media and other information channels operate and which areas are of greatest interest to them and which have a higher reputational risk.

10.2 CAPITAL REQUIREMENT FOR REPUTATIONAL RISK UNDER PILLAR 2

SEK assesses that capital does not provide adequate protection against reputational risk to the company. SEK therefore focuses on proactive and professional management of reputational risks.

11. BUSINESS AND STRATEGIC RISK

SEK 's focus on lending to Swedish exporters and their customers exposes the company in various ways to business cycle fluctuations to a greater extent than before. This has implications for both strategic and business risk. Demand for long-term financing from SEK is expected to remain counter-cyclical, implying that, in relative terms, the company will play a greater role at times when exporters' access to alternative financing is low.

11.1 BUSINESS RISK

11.1.1 MEASURING BUSINESS RISK

SEK measures business risk based on the volatility in adjusted operating profit that is not directly attributable to (i) other types of risk, or (ii) changes in value that relate to the financial hedging or to the repurchase of SEK's own debt.

11.1.2 CAPITAL REQUIREMENT FOR BUSINESS RISK UNDER PILLAR 2

Business risk is deemed not to result in additional need for economic capital under Pillar 2.

11.2 STRATEGIC RISK

11.2.1 MEASURING STRATEGIC RISK

The company defines strategic risk as the risk of reduced revenues as a result of misguided business decisions, incorrect implementation of decisions, or an inability to react adequately to changes in regulatory systems and the business environment. There are, therefore, two dimensions of strategic risk – the risk that the company may adopt the wrong strategy, and the risk that the company may be unable to adapt sufficiently to a situation.

SEK's business environment analysis focuses on factors that may have some future impact on the company and its business. Using information generated by its business environment analysis, SEK is able to have a greater influence over its own development and guide the business towards the targets set by the Board of Directors and the company's management. The business environment analysis is complemented by a situation analysis, which examines the current situation and focuses on SEK's own operations. The combined assessment is summarized in a "SWOT" analysis.

11.2.2 CAPITAL REQUIREMENT FOR STRATEGIC RISK UNDER PILLAR 2

SEK assesses that capital does not constitute adequate protection against the company's strategic risk, and the company instead focuses on the active management of risk.

11.3 SEK'S POSITIONING

SEK's mandate has changed over time in accordance with its owner's requirements and guidelines. Since 2008, SEK has focused entirely on lending to Swedish exporters and their customers. In 2010, extensive work was conducted in order to clarify and establish SEK's role, mandate and positioning, as a result of which it was determined that the abovementioned focus would continue. Another key conclusion was that SEK should further strengthen its co-operation with other organizations, e.g.banks and supranationals.

SEK's focus on lending to Swedish exporters and their customers exposes the company in various ways to business cycle fluctuations to a greater extent than before. This has implications for both strategic and business risk. Demand for long-term financing from SEK is expected to remain counter-cyclical, implying that, in relative terms, the company will play a greater role at times when exporters' access to alternative financing is low.

GLOSSARY

CDO	Collateralized Debt Obligation
CDS	Credit Default Swap
CLO	Collateralized Loan Obligation
CMBS	Commercial Mortgage-Backed Security
EAD	Exposure at default
EC	Economic capital
EKN	Swedish Exports Credits Guarantee Board
EL	Expected loss
FFFS	Swedish Financial Supervisory Authority regulations and general guidelines
ICAAP	Intern capital adequacy assessment
IRB	Internal ratings-based approach
LGD	Loss given default
M	Maturity
O/N	Over-night deposit
PD	Probability of default of a counterparty within one year
RMBS	Residential Mortgage-Backed Security
RWA	Risk-weighted assets
UL	Unexpected loss
VaR	Value-at-Risk

SEK

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